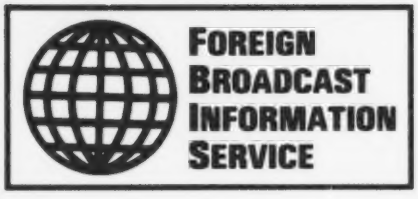

Daily Report

Latin America

FBIS-LAT-89-143
Thursday
27 July 1989

Daily Report
Latin America

FBIS-LAT-89-143 *27 July 1989*

CONTENTS

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

CARIBBEAN

Cuba

Castro Speaks at 36th Moncada Anniversary *[Havana Radio, TV]* 1
Continues Tour of Camaguey *[Havana TV]* 8

Grenada

Prime Minister Denies Creating New Party *[CANA]* 10
Minister Resigns 'To Distance Himself' From NP *[CANA]* 11

MEXICO

Reportage on Nation's Economic Situation 12
Salinas: Hyperinflation 'Beaten' *[EL DIA 21 Jul]* 12
No 'Budget Adjustments' Planned *[Mexico City TV]* 12
Debt-Equity Plan Revealed *[Tokyo KYODO]* 12
Bridge Loans To Be Provided *[Tokyo KYODO]* 12
Jan-Jun Inflation Rate *[EXCELSIOR 20 Jul]* 13
Reportage on Situation With Michoacan Elections 13
PAN Questions Legality *[THE NEWS 21 Jul]* 13
PRI Rejects Rerun Proposal *[THE NEWS 22 Jul]* 13
Pemex Pumps 2.5 Million Barrels Daily Jan-May *[THE NEWS 22 Jul]* 13

CENTRAL AMERICA

El Salvador

UNTS Rejects Government's Economic Package *[San Salvador TV]* 15
Colonel Vargas on War Situation, FMLN Strategy *[DIARIO LATINO 26 Jul]* 15
Five Charged With Attacking U.S. Nuns *[San Salvador Radio]* 15
Rebels Air Battle Reports for 23, 25 Jul *[Radio Venceremos]* 16

Guatemala

Two Bombs Explode in Capital; No Casualties *[AFP]* 16

Honduras

Security Council Approves Plan To Evict Contras *[Buenos Aires REUTER]* 16

Nicaraugua

Ortega Reiterates Talks With Opposition *[Managua TV]* 16
Tirado Lopez on Dialogue Topics *[Managua Radio]* 17
Ortega: Only 'Share of Power' To Be Surrendered *[LA PRENSA 25 Jul]* 17
CRN To Oversee Electoral Process *[Managua Radio]* 17
Country Unable To Pay Mexico for Oil Shipments *[EXCELSIOR 21 Jul]* 18

Panama

Foreign Minister on OAS Meeting, Elections *[Panama City Radio]* 18
Students Protest Against Noriega, U.S. Actions *[ACAN]* 19
Opposition Calls Noriega Departure 'Basic Goal' *[Panama City TV]* 19
Cordovez Chides Opposition's Reaction to OAS *[Madrid EFE]* 20
Opposition May Not Participate in Dialogue *[MATUTINO 26 Jul]* 20
PRD's Castro Sees U.S. 'Psychological War' *[EL NACIONAL 20 Jul]* 21

SOUTH AMERICA

Argentina

Foreign Ministry Source on Contacts With UK *[NOTICIAS ARGENTINAS]* 25
Interior Minister Discusses Ultraleft Activists *[Buenos Aires Radio]* 25
Economic Emergency Bill Submitted to Senate *[TELAM]* 26
Military Household Chief Antonietti Installed *[TELAM]* 27
Labor Organization Criticizes Pay Decree *[BUENOS AIRES HERALD 26 Jul]* 27
First Off-Shore Oilfield Begins Production *[Madrid EFE]* 27
Embalse Power Plant To Shut Down for Maintenance *[TELAM]* 27

Bolivia

Menem, Sarney, Sanguinetti To Attend Inauguration *[Madrid EFE]* 28

Brazil

President Sarney on Economy, Other Issues *[Sao Paulo TV]* 28
Finance Ministry Official on Talks With IMF *[Brasilia Radio]* 39
Health Ministry Suspends Cuban Vaccine Import *[O ESTADO DE SAO PAULO 25 Jul]* 40
Embraer U.S. Partner To Finance New Jet Plane *[O GLOBO 25 Jul]* 40

Chile

Political Leaders Invited To Observe Plebiscite *[Santiago Radio]* 40
Teitelboim Supports Aylwin, Criticizes Plebiscite *[Santiago Radio]* 40
Soviet Airplane Makes Stop Over in Punta Arenas *[Santiago TV]* 41
New Terrorist Group Attacks Radio Station *[Santiago Radio]* 41
Carabineros Escape Extremist Attack Unhurt *[Santiago TV]* 41
Lautaro Movement Holds Up Talcahuano Drugstore *[Santiago Radio]* 41
Bomb Explodes in Downtown Santiago, No Victims *[Madrid EFE]* 42

Paraguay

Police Release Danish Businessman 25 Jul *[ULTIMA HORA 25 Jul]* 42
Armed Forces Support Democratic Government *[ABC COLOR 26 Jul]* 42
'Militants' of Previous Regime Summoned by Police *[ABC COLOR 26 Jul]* 43
Ministry Recognizes New Labor Federation *[ULTIMA HORA 26 Jul]* 43

Peru

Survey Published Reveals Fear of Civil War *[Madrid EFE]* 43
Policemen, Terrorists Killed in Acobamba *[Madrid EFE]* 44
Dead Terrorists Identified as Tupac Amaru *[Madrid EFE]* 44

Suriname

Armed Forces Chief Rejects Kourou Accords *[CANA]* 44
Bouterse Comments on Accord *[Paramaribo International]* 44

Cuba

Castro Speaks at 36th Moncada Anniversary

PA2707024589 Havana Domestic Radio and Television Services in Spanish 2214 GMT 26 Jul 89

[Speech by Fidel Castro Ruz, president of the Councils of State and Ministers, on the 36th anniversary of the attack on the Moncada Barracks at the Major General Ignacio Agramonte Square in Camaguey, Cuba—live]

[Text] Distinguished guests, residents of Camaguey, compatriots from all over the country:

I thought that it might rain during the ceremony. I thought this when I heard that a cold front was moving from east to west. However, after so many months of drought, even if it rains on a day like today, the rain would be welcome. [applause]

We do not know if this drizzle will continue all afternoon. We do not know if it will rain harder or if it will stop, but it is up to you to decide if I should hurry [crowd shouts: "No"], whether I should speak fast [crowd shouts: "No"], or speak at my usual measured pace [applause; crowd shouts: "Measured pace"]. I know that no amount of water can douse our enthusiasm or dilute our will.

Now, what stands out about this 26 July? I personally, and many visitors to Camaguey, are impressed by the level of enthusiasm and fighting spirit found here in this city and this province. Why, after so many years of revolution—quite a few have passed—is enthusiasm growing instead of declining? The fighting spirit is growing. How can we explain that? I do not think there is a mystery in this. It is what the Revolution has done for the people. It is what the Revolution has done for mankind throughout the country and in this province. It is what it has meant to our nation and our compatriots to have the opportunity to build their own path and write their own history.

If we ask ourselves—and if the honorable visitors in foreign delegations ask—what the Revolution has done for mankind, we could say—without going into too much detail—that if we look at the area of education, which our compatriots, from Jose de la Luz y Caballero to Jose Marti, have described as an inevitable element of a people's progress, and of a people's independence and dignity, we could point to some things achieved by the Revolution in that area here in this province.

First, there was the establishment of a university with 9 schools and 25 courses of study; a Higher Institute of Medical Sciences that was recently completed [applause] with a possible enrollment of almost 3,000 students and 3 schools; and a Higher Pedagogical Institute with 7 schools. [applause]

There is one university preparatory institute of exact sciences for 2,500 students [applause], a military vocational school, an arts vocational school, and teachers schools for over 2,000 students. There is a school for training child care center teachers with an enrollment of 500, a school for physical education and sports teachers with over 500 students, and a school for sports training for over 1,000 students. There are 21 university preparatory schools in the rural areas, 43 new basic secondary schools for nearly 41,000 students, 319 primary schools, 63 part-time boarding schools where approximately 36,000 students are enrolled. There are 12 polytechnical schools with over 15,000 students, 41 special schools, 62 child care centers, 8 youth centers for pioneers, not to mention all the other projects.

Did all of these institutions exist before the Revolution? Has more been done for the education of the people anywhere else? I am referring only to this province, to Camaguey. In the field of health, there has been construction work, remodeling, and the modernization of 24 hospitals with nearly 5,000 beds [applause], 25 polyclinics, 15 dental clinics, and 18 prosthetic workshops, all at the service of the people, free of charge. There are dozens of other institutions that range from nursing homes for the elderly and for the handicapped to maternity homes, and so on, and so on. What about the results in a province that had a high rate of illiteracy and a large number of citizens who could barely read or write? Yet today, the people have completed a mid-level education, up to the 7th grade.

Thirty-five out of every 100 adult citizens go to school. [Among children] there is almost 100-percent school enrollment, and approximately 97 percent stay in school. In the University of Camaguey, enrollment today is nearly double that of the total number of students throughout the entire country at the time of the triumph of the Revolution. [applause] More higher-level students are graduating every year than the total number of university graduates throughout the entire country at the time of the triumph of the Revolution.

The infant mortality rate, which was greater than 60 for every 1,000 live births during the 1st year, and which reached 26 for every 1,000 live births 10 or 11 years ago, has dropped to 11 for every 1,000 live births. [applause] The life expectancy rate has risen to nearly 75 years of age. The number of physicians has multiplied several times over. We even have the family doctor program, with currently over 350 doctors. In this province alone, we have more family doctors than all the family doctors available in the country at the time the Revolution triumphed. [applause]

As for the economy, this province relied solely on sugar plantations and related industries; some of these were small. They were more like small shops than industries. The energy industry was born with the Revolution. The province's generating capability increased more than 20

times over. Nearly 5,000 km of electric cables were strung. Today it would be impossible to think of these lights, the stadium, or this event without this development in the energy sector.

With the Revolution, the chemical industry was born. The province is now able to produce hundreds of thousands of tons of ammonia, urea, and mixed fertilizers every year. With the Revolution, the mechanical industry was born in Camaguey, which today can proudly show a modern plant where thousands of Camagueyans work [applause], manufacturing civilian and military products. There are plants that produce barbed wire, wire-drawing machines, and machine tools. There are about 200 machine shops in the agricultural sector alone.

With the Revolution, the construction materials industry was born. It started with a modest cement manufacturing plant capable of producing 600,000 tons a year and was run like a clock. This industry now has modern plants, which manufacture light earthenware products. There are also eight stone mills, one of which can produce more than a million cubic meters. There are dozens of other plants that make these projects possible that you have before your very eyes right now. [applause]

Out of the Revolution, the prefabricated and mechanized construction industry emerged with numerous plants of every kind, such as the Sandino, Gran Panel, and the INS [not further identified] plants, all lodged in the magnificent 26-story building, built virtually in a year and which we now can see. [applause]

Construction was mechanized. The food industry was truly born with the Revolution. The best example of this industry is the modern beer factory that produces 25,000 cases per day [applause] and is known as one of the country's best because of its high-quality production. We also have a modern beef plant that can process up to 1,000 heads of cattle per day. There is also a pork plant that can process 500 units per day. We have the pasteurizing plants, the new cheese factories, and dozens of food industries.

The Revolution promoted the development of the sugar industry. New standardized sugar mills have been built in this province. All the old sugar mills have been rebuilt or remodeled. The sugarcane by-products industry was born and is still being developed. Our agriculture became more technical. It was modernized and mechanized.

When the Revolution triumphed, all the rice produced in Cuba was harvested by hand. All the sugarcane was harvested and carried by hand. Most agricultural and transportation work was done by animals. How could we have ever conceived of this modern Camaguey if we still had to harvest rice by hand and cut and carry sugarcane by hand? How could we carry out the sugar harvest without the 115 collection and processing centers this province has?

All of this resulted in great advances. Farm production increased in many areas. Industrial production and construction also increased. Thousands of economic and social projects were built in these years of revolution. Thousands of kilometers of highways, railroad lines, and roads were built during these years. I am talking exclusively about Camaguey Province. [applause] All kinds of facilities were built in port areas. We built centers to store sugar in bulk. We mechanized port cargo. We built new ports and new facilities to store fuel and urea. Some of these facilities were very expensive.

In a province which I believe had only one small dam, 44 large dams and 179 medium-sized and minidams have been built in recent years. [applause] Thanks to the development that has taken place since the triumph of the Revolution, 105,000 new housing units have been built in Camaguey Province. [applause] In other words—I have not done an exact count, but I imagine—of the over 700,000 inhabitants of the province, over 50 percent of Camaguey's families are living today in houses built since the triumph of the Revolution. [applause]

I have not mentioned three important areas: scientific activities, which were born with the Revolution in this province. Today the province has dozens of laboratories, and a very modern genetic engineering and biotechnology research center has just been inaugurated. It is the second center of its kind in the country. Perhaps it is not correct to say that it was inaugurated, because several weeks of work remain to be done. It was decided not to hasten completion to meet today's date in order to guarantee the quality of the work. [applause]

Today we do things like those that we can see at the Shrimp Cultivation Center, such as the biological processes that are under way there: artificial insemination of shrimp, and all those scientific and technical processes that provide the basis for significant development in that area of production. Our hospitals have achieved a high level of scientific expertise.

I have not mentioned the area of culture, which has developed so much in these years of revolution. Symbols of this are the Camaguey Ballet [applause], the symphony orchestra, the Ignacio Agramonte Museum, the reconstruction of theaters, the development and conservation of the historical sector of the city, the cultural offices in all the province's municipalities, and an activity that has allowed the city of Camaguey to stage a show like the one staged yesterday, a show of extraordinary quality [applause], solely with artists from Camaguey.

I have not mentioned the area of sports, which was born with the Revolution. Examples of this are the stadiums like the Candido Gonzalez Stadium, the multisports arena completed recently [applause] that is undoubtedly the largest and one of the most beautiful of its kind in the country. A visitor to the area around this square who sees

that multisports arena would not know if he were in Camaguey or in ancient Greece during the time of its greatest architectural splendor. [applause]

This development in sports is manifested not just in the school for teachers I spoke of earlier, or in the sports schools for beginners, or in the athletic training schools, which I believe I failed to mention. It is manifested in the almost 800 sports facilities that have been built by the Revolution here in Camaguey Province.

Furthermore, if the people of Camaguey feel satisfied with what they have created in the past through their work and their revolutionary spirit, I think they must feel much more satisfied with what they are creating now for the future. A little over 2 years ago, we visited this province for several days. We toured many places together with Comrade Lazaro [Vazquez, first secretary of the Communist Party of Cuba in Camaguey].

I recall that, in those days, there was a process of rectification of the errors and negative trends in many fields that were holding us back. We were motivated by the enthusiasm of this province, by the cultural and technical expertise it was acquiring, by the prestige and authority of our party. I told the people of Camaguey about the important plans. We also spoke of the great natural resources of this province, which is the least populated, that is, the one with fewer people per square kilometer than any other area in the country. We were working on several projects. We suggested to the party leadership the possibility of turning Camaguey Province into a model of development for the Third World, but, first of all, into a model of development for food production as well as social development.

Some of these agricultural plans were halted in the last few years. I am not going to explain now the factors that led to that situation, since I have already done so in the past. We proposed at the time to develop in Camaguey the largest dairy production plan in the world [applause], to develop fully the 14,000 caballerias available for agriculture around the city, toward the west, toward the southwest, the south, the southeast, the east, and the northeast of the city. We prepared a plan to build 300 new large dairy farms over a period of time not to exceed 6 years.

The first teams were appointed and the work began. We proposed to the people of the province the idea of doubling rice production, of promoting sugarcane production in order to guarantee sugar production of no less than a million tons per year, and, in addition, sufficient raw materials for other uses of sugarcane, particularly for feeding cattle. We proposed the idea of not wasting even one leaf of the sugarcane, not even the dry leaves.

We proposed the idea of considerably promoting the production of food and vegetables to fully satisfy the province's needs. We proposed the idea of promoting the plan for citrus fruits until we reached up to 1,000 caballerias, which was initially proposed. We talked about the need to work hard on the citrus fruit plantations' irrigation systems. The plantations did not even amount to 100 caballerias at that time. We proposed the idea of taking full advantage of all the water that runs through our rivers and streams. We talked about the need to recover our hydraulic potential. We proposed the idea of turning those sterile plains into highly productive land. We proposed the idea of promoting the production of fish in all dams and reservoirs, in all medium- and small-sized dams. We even proposed the idea of taking advantage of the manure from the many head of cattle around the city and to turn the manure into humus through worm-breeding [lombricultura] to produce thousands of tons of animal protein for the preparation of fodder.

We proposed maximizing our use of technical and scientific breakthroughs in our soil technology to ensure that we cultivated the appropriate amount of sugarcane on each plot of land, to ensure that we cultivated an appropriate variety of pastureland for each hectare.

We were planning great programs in agriculture and other fields. We carefully studied how we could implement those programs. We discussed how to develop agriculture as part of an integral plan. We had begun to do just that in the 1st few years of the Revolution, but then neglected to do that, because theorists peddled the crazy idea of playing around with capitalist mechanisms here. As a result of this, even ghost towns appeared. These ghost towns had buildings under construction but no streets; where there were streets, there was no sewage system; where there was a sewage system, there was no running water; there were no stores, day-care centers, schools, or any kind of public services.

We emphasized the idea of integral plans in keeping with a genuinely lofty and revolutionary concept of socialism whereby development would be planned and the solution to problems would not be left to chance. We recall that, at that time, we urged this province to fight for the right to host this 26 July celebration. [applause] Moreover, we urged the province to fight for the right to host the fifth congress of our party. [applause] Of course, this province will have to compete with all the other provinces in the country for that right. However, I am sure that, although this will be difficult, Camaguey Province will definitely not be among the least favored ones. [applause]

To celebrate this 26 July, this province completed more than 1,000 projects, ranging from a small center for transplanting embryos—the building of which encompasses an area of approximately 800 square meters—to a building like this one, with more than 100 apartments and 26 floors. This building is not regarded as over 100 individual projects, but as one project, just as the multipurpose stadium is regarded as one project. [applause]

More than 1,000 projects have been completed since the province set out to win the right to host the 26 July celebration. This has taken place over the past 18 months. The accomplishments of this province impress all visitors. We made a tour yesterday with a large group of reporters, who were more than impressed, more than impressed [repeats himself]; they were amazed at what they saw.

We toured the milk valley; we saw what was accomplished in certain areas. We visited communities established for cattlemen in no more than a year. They are communities made up of 300 homes, as planned when we drafted the plan for the valley.

However, this was not a ghost town. This community had its buildings, streets, potable water and sewage systems, day-care centers, day schools, food and agricultural produce stores, and facilities for the various services needed by the community. There was a family doctor's office based in the doctor's home. The site where the community social area will be built had also been set aside. [applause]

This was an integrated community, and this was not the only one under construction. They also set out to build and complete necessary facilities in the communities, such as day-care centers, schools, and homes. This was the true socialist concept at work, the true concept and full application of socialist development. Hundreds of kilometers of roads and highways, both radial and circular—in which the first, second, third, fourth, fifth, and sixth rings begin near Vertientes—have been built. Some of these highways begin at the southwest and end at the northern end.

Camagueyans, I can assure you that here, in the outskirts of this city, we are implementing the world's largest milk program and an integrated community [applause], and that 14,000 caballerias have been organized into a large production unit. There is nothing similar anywhere else.

It will have almost 550 cattle farms—approximately 540—and hundreds of other facilities: calf breeding areas, centers for the heifers that will replace producing cows, centers for the breeding of young bulls, in short, all the facilities that make up a cattle farming group.

On this project, we have the cooperation of the FAO [Food and Agriculture Organization], a UN institution, and I know that it is highly pleased with this program, with the objective of this program, which FAO representatives visit every month and which the FAO presents as an example of cattle development in a Third World country. I would add that it is also an example of cattle development in any First World country. I would like to know if there is any unit similar to this in the United States, for example. I would like to know if in Europe, France, or the Netherlands, there is any kind of integrated production on a scale similar to this project, which will also have all the necessary laboratories, all the necessary workshops, all the electrical wiring, and all the irrigation systems that can be built in line with the hydraulic potential.

That is why we can say with satisfaction that we will have here, around this city, a cattle program that is unique in the world. [applause]

The province has worked intensively for this 26 July in the construction of dams and minidams. Already this year, rice production will increase by 300,000 quintals, and there are plans to reach 3 million quintals in the not-too-distant future.

The citrus production plan is advancing. It now involves almost 700 caballerias, and of these, more than 300 have irrigation systems. Production of tubers and vegetables is advancing. In the past few years, it has multiplied 2.6 times, and that is still not enough. Construction of pig centers, which I had not mentioned previously, is advancing, and, in the past few years, pork production has increased by 60 percent. The production of eggs has increased by 40 percent, and poultry production by 60 percent.

This year, despite the drought, milk production is being increased by 11 million liters. We are certain that, given the present effort, the plan to increase the province's milk production to 300 million liters will be achieved in the not-too-distant future.

A powdered milk factory is already under construction. A new cheese factory with a capacity of over 30,000 liters a day is almost completed, and new investments will be made in this area.

In the past few years, the number of sheep and goats in the province has increased 5 times, and on the plains, which were sterile in the past and are now being developed rapidly, there are already 40,000 of those animals, and we will not stop until there are 300,000.

This news must be a source of pride for Camaguey residents and a source of enthusiasm for the province and the country. Some of the experiences gained during this work are being transferred to other provinces. We are already implementing an ambitious plan to build livestock facilities—which, although not as big as this one, are as good in terms of quality—in neighboring Las Tunas Province. We are now developing a plan just like the one in Las Tunas in neighboring Ciego de Avila Province. We are already developing a plan similar to the ones in these two provinces in Granma Province. This year we are planning to begin the Sancti Spiritus Province plan, and, if possible, another major project in Pinar del Rio Province also.

All of the country's provinces are looking for areas in which to implement their cattle-breeding programs. We are transferring the ideas we developed in Camaguey to

all of the country's provinces. As we told Comrade Lazaro, we accomplish nothing by just developing this plan in Camaguey Province. We must develop it—and we are developing it—based on the natural resources of all the country's provinces. That is why I want to stress that work is not being carried out in Camaguey alone [applause], but we are working with the same spirit all over the country. [applause]

These plans require effort, coordination, supplies of heifers. We are going to build over 200 large- and small-scale cattle-breeding farms every year. I want you to know, Camaguey residents, that when the process of rectification began, seven cattle-breeding farms were being built every year. This is what flirting with capitalist mechanisms led us to. We are doing the same with schools, children's centers, hospitals, and medical clinics. We are doing the same with all of the country's economic and social plans. We are doing the same with the construction of roads and highways. We are doing the same with our hydraulic capacity.

How has this province achieved this success? Not by luck. From the early years of the Revolution, Camaguey has been known for its tremendous enthusiasm, but that alone was not enough. I think the secret to the success of Camaguey Province's programs is closely related to the party's work and its style of work in this province. [applause] It is related to the effort of 37,000 party militants, 35,000 militant youths, and the massive support of the Camaguey people. [applause]

Volunteer work in Camaguey, as in the rest of the country, had almost disappeared. The circumstances I mentioned earlier caused those problems. Technocrats did not even want to hear about productive work. I ask: Without the support of the masses and without volunteer work, would it have been possible to build the more than 1,000 projects that have been inaugurated recently? [applause]

The entire people participated in the construction of communities, in the construction of the (Siolifa) factory, in the construction of schools, day-care centers, and housing, and in the construction of the biotechnology building. The people participated when there was work to be done.

Socialism is the science of leading the people toward the country's development. It is the science of leading the masses to their direct participation in the country's development. It is the science of getting the support of the masses for this great cause.

Socialism is the science of creating, establishing, preserving, and developing the largest and deepest link between the party and the masses. Socialism is the science of managing. Socialism is the science of setting the example.

We have seen very important things these days related to this. Yesterday when we visited the cheese factory under construction—which will be ready soon—we saw that people had been doing volunteer work since early in the morning. All the secretaries of the party in the Sibanicu Municipality [applause], all members of the people's power, and all the cadres of the mass organizations did volunteer work. The entire people of Camaguey divided volunteer work among the total number of residents, including those who were born in this 1st 6-month period. They each did 25 hours of volunteer work. It turns out to be a total of 15 million hours of volunteer work. [applause]

That is nearly 2 million 8-hour days. Lazaro was telling me something, explaining it in the best way possible and which provides the clue to it all. He told me that all party cadres of the people's power, of the local and central administration, and of the mass organizations did a minimum of 208 hours of volunteer work in the last 18 months. [applause] It was real and effective work. They cleaned sugarcane fields, they harvested sugarcane, they worked in construction, and they worked with their hands. That was a total of 208 hours of well-organized and well-invested work. It is equivalent to 20 days of over 10 hours each, or more than 25 8-hour days amid the work and obligations any cadre of the party or of the administration may have.

This is what I call exemplary. [applause] That is truly the revolutionary road, and that is the truly socialist road capable of leading a people to attaining any goal; that road is capable of leading a people to the ends of the earth. I was meditating on how Che [Guevara] might have felt, because he gave so much importance to volunteer work, and he gave so many examples of personal dedication to volunteer work.

How would he feel if he could hear this? [prolonged applause] He left us his example. Volunteer work was at its worst. The rectification process has raised it to levels never reached before in the history of the Revolution. For this reason, despite the untimely rains—they came in the last 2 months of the harvest instead of coming after the harvest as they should have—Camaguey was able to produce a million tons of sugar this year [applause]. That is why, by 26 July, Camaguey had already peeled 95 percent of its cane, a figure never reached before. That is why, despite the drought—and it did truly incalculable damage—we hope to maintain a respectable level of sugar production in Camaguey Province, because whatever was humanly possible in the area of planting, cultivation, and peeling has been done. Of course, a great deal will depend on how much it rains in the latter part of this month, and particularly in August and September.

This is a rough outline of the efforts of Camaguey's residents. No one knows how far we can go by working in this way. However, under what international conditions are our current efforts occurring? I have to talk a little

about this. It is very important. We need to know where we stand in the world in which we live and what problems threaten the creative effort of our people.

We live in a time of great economic problems throughout the world—above all in the Third World—a time of great economic crises for that world. We are living through a special moment within the world revolutionary movement. We will not sugarcoat the truth. We have to call things the way we see them.

There are difficulties in the world revolutionary movement. There are difficulties in the socialist movements. We cannot even say with confidence that the supplies that have arrived from the socialist camp with clock-like punctuality for the past 30 years will continue to arrive with the same dependability and clock-like punctuality.

The country has been doing more with less than ever and these projects demonstrate this. These projects were built with less income than ever before. It is possible that in the future we will have to continue to work and make an effort and create miracles with the problems we have in receiving suppplies from the socialist area.

Perhaps the greatest problem is the euphoria of imperialism, the empire's cockiness [triunfalista] and that of the empire's administration.

Never has any administration—not even Reagan's—maintained such cockiness. No other administration has ever sounded so cocky.

Because of the difficulties that are occurring in the socialist camp, especially in certain socialist countries, the Bush administration has given speeches during the past few months which are based on the premise that the socialist community is nearing its end, that socialism is nearing its end, that socialism will end up in the garbage can of history, which is the place that those brilliant and genius strategists and creators of the socialist movement reserved precisely for capitalism.

Because of the difficulties that are evident and that everyone is aware of, which have existed and still exist in Poland, because of the difficulties of socialism which have existed and still exist in Hungary, Bush organized a triumphant tour, a triumphant trip to these two countries in recent weeks. It is true that there are difficulties there. He did not go in vain to those countries. He went to encourage capitalist trends that have developed there and to encourage the political problems that have arisen there. Some day it will be the job of historians and scholars to delve deeply into the causes of those problems. I have my ideas about this; however, this is not the time to talk about them.

The fact of the matter is that they have difficulties. In recent elections, the liberal opposition, the pro-capitalist opposition, or, at least, the antisocialist opposition—which has not yet defined very well, very well [repeats himself] what its intentions are—won in the elections for senators almost 100 percent of the posts. Today, in Poland, even the leader of that opposition, Mr Walesa—according to the press in our country—has said to the government of President Jaruzelski, who won the Presidency by one more vote than the minimum required, that the best thing to do would be to have the government turned over to the opposition. In recent days, he has even said that he does not oppose some members of the opposition being in the government, however, that they could not count on the support of the opposition. He said that the only thing the opposition would accept would be to turn over the government.

The same thing is occurring in Hungary. One day ago, four delegate posts were up for elections, and three of them were overwhelmingly won by the opposition.

What phenomena are we facing? Is this a peaceful transition from socialism to capitalism? It is possible. However, not even us, we do not question it. We defend the sacred right to the independence of each country and each party. This is what we ask for the people of the world. That is what we ask for all the people of Latin America and of the Third World. We ask for the right of each country to build, if it so desires, socialism, which the United States tries, by force of arms, so much to prevent. The right of our people to build socialism, of course no one gave us that right, we earned it, we conquered it, and we defend it... [incomplete sentence as heard] [applause]

I think many errors have been made which have led to these problems. At times, I even wonder if it would not be better for those new generations that were born under socialism in Poland and in Hungary to take a little trip to capitalism so that they can find out how egoistic, brutal, and dehumanizing a capitalist society is [pounds on podium three times]. [applause] This is a delicate matter, but these are our most sincere thoughts about these problems.

During his [Bush's] triumphant trip to Gdansk—a city in Poland, where it is said that a large crowd received Mr Bush—according to cables of the most renowned U.S. press agencies, he was received with many banners. I cannot confirm if there were many or a few, because I was not there, nor did I see it on television. I read it on the cables. It was reported that many banners read: The Best Communist is a Dead Communist. Notice, those are the feelings of a fascist! The banners which welcomed Bush in that Polish city were completely fascist. Naturally, there are two kinds of communists: those who let themselves get killed easily, and communists who do not let ourselves get killed easily! [applause]

It was with joy that cables of the imperialist agencies narrated that other banners read: Lenin, Jaruzelski—Assassins. I will not defend Jaruzelski. I think he can defend himself. However, what does this mean, in a city of a country whose freedom cost the lives of one-half

million Soviet soldiers? I am even setting aside the errors in international policy that, at other times, the Soviet Union could have made regarding Poland. I simply reiterate the real fact that one-half million Soviets died fighting next to the Polish people for the freedom of Poland—and now Lenin is called an assassin, the founder of the first socialist state. He made the first great opening for the people of the world. He was the founder of the first socialist state, whose revolution made possible the disappearance of colonialism. Over 100 states have attained independence, over 100 former colonies attained independence. How repugnant it is to call Lenin an assassin—whose people achieved victory against fascism with the sacrifice of 22 million deaths among its best children. This is truly bitter.

However, this increases Mr Bush's euphoria. It increases his false pride. It increases the imperialist hostility against Cuba a lot. If Mr Bush bases himself on the premise that socialism is on its decline, that the socialist community is going to disintegrate, what does he think regarding Cuba, this firm, courageous, heroic Cuba? This is a Cuba that does not surrender or sell itself. If one bases policy on that premise, why change the policy toward Cuba? He is carrying out a peace policy with the great powers and is waging war against the progressive peoples. He is carrying out the policy based on the premise that, if socialism ever disintegrates, Cuba would not be able to resist, the Cuban Revolution would disappear. That reasoning increases the aggressive spirit and the hostility of Yankee imperialism against our people, revolution, fatherland. These are truths. That is why, today, the empire appears more insolent, wicked, and threatening than ever before.

Just imagine, what would happen in the world if the socialist community disappeared? According to that hypothesis, if that was possible, which I do not think it is, the imperialist powers would throw themselves like beasts over the Third World. They would once again distribute the world among themselves, as in the worst of times, before the first proletariat revolution. They would distribute among themselves the oil, natural resources, and the human resources of billions of people in the world. They would once again turn three-quarters of humanity into colonies. However, not even under those circumstances would the struggle cease [pounds three times on podium]. The peoples would never accept it. The peoples would continue fighting, perhaps now more than ever, and our people, our fatherland, our revolution would be in the first row of that fight. [applause] [Crowd chants and claps.]

Naturally, imperialism has deluded itself, and Bush has deluded himself because of the difficulties that are experienced by the Soviet Union, the fundamental bulwark of the socialist community. It is true that the USSR is facing difficulties. It is not a secret to anyone, and the dream of the imperialists is that the USSR will disintegrate. There are difficulties, and they are growing. There are tensions among the nationalities within the USSR. There are tensions and conflicts. The internal tensions are evident within the USSR, and we have witnessed the strike of hundreds of millions, hundreds of thousands, hundreds of thousands [repeats himself] of miners, of strikers in Siberia, Don [as heard], and other places. That kind of news fills world reactionaries with joy. That kind of news fills the empire with joy.

We recently received a very warm, very fraternal message from the USSR in the name of the Soviet party, the government, and the state. Our feelings of friendship with the Soviet people and our recognition of the role of that great country are enormous. You know that. Our appreciation of that country, of that country [repeats himself] is also enormous. Our most fervent desire is that the Soviets will overcome their difficulties, reconstruct their unity, and maintain and elevate the great role that that country has played in the world.

The problems in the USSR greatly concern all Third World countries, the old colonies, those peoples who do not want to be colonized again because the USSR was their fundamental and most firm ally. Upon seeing these problems, the imperialist circles dream of an empire lasting 1,000 years, as Adolf Hitler dreamed that his Third Reich would last 1,000 years, and it lasted a very short time.

It is possible that the most reactionary imperialist circles are having these dreams again. I am sure that these dreams will not last very long. This is not a matter of nuclear arms or missiles on one side or the other, or a matter of nuclear disarmament accords—which make us very happy. However, the independence of our people depends on us. It is not dependent upon nuclear weapons from the Soviet Union or from anyone else.

I remember the October crisis, and a saying that appeared then: We do not have strategic weapons, but we have moral weapons. Those are the arms with which the peoples defend themselves. I believe in the people. I believe in the people more than ever, as I believe in my people. [applause]

I know their capabilities. I know our people's capabilities. And here, reasoning things out very dispassionately, as one has to reason with the people.... [changes thought] On a day like today, at a historic moment like the one that the world is experiencing today, we have to think; we have to reason.

Are we by any chance going to put a halt to our progress? Are we going to halt this colossal effort? No, never. Are we going to close our eyes to reality? Are we going to bury our heads in the sand like ostriches in the face of reality? No, never. We need to be more realistic than ever, but we have to speak out. We have to warn the imperialists that they not create so many illusions in reference to our revolution and in reference to the idea that our revolution will not be able to resist a debate within the socialist community. If we were to wake up tomorrow or any

other day to the news that there had been a large-scale civil war in the USSR, and even if we were to wake up and learn that the USSR had disintegrated—something that we hope never happens—even under those circumstances, Cuba and the Cuban Revolution would continue struggling and resisting. [rhythmic clapping] Cuba and the Cuban Revolution would resist. I say this knowingly. I say this calmly and serenely, and with all the control in the world. It is time to speak clearly to the imperialists and to the entire world.

We are not joking. What can frighten us if 27, or 28 years ago, we experienced the October crisis? Historians are compiling papers and giving their versions. We have not yet provided our version. We did go to a meeting over in Moscow where there were American personages of the time, some Soviets, and some Cubans. We have not yet provided our version, nor have we taken out our little papers—and we do have some.

One thing is obvious. We lived through those times, and I do not remember seeing a single Cuban hesitate. The Cubans refused to make any concessions to imperialism, and the Cubans of that generation—a large number of whom are still living and who have been joined by new generations that are well trained and that have great political awareness—were prepared to die without hesitation—to die rather than retreat [applause], to die rather than yield. [prolonged applause]

What can frighten our revolutionary people? Nothing in the world can frighten our revolutionary people or cause them to hesitate. A long time ago—a little more than 8 years ago—Mr Reagan spouted great threats against Cuba. We have put aside all the little academic books on war. We do lean on all positive experiences, all the experiences in conventional war, and we have adopted the doctrine of the defense of the country, and the concept of a war involving all the people. Everyone knows what that concept is and everyone shares that concept.

It is the philosophy of what our country will do under any circumstances, of what it will do in the event of a total blockade, when not even a liter of fuel or a morsel of food can enter the country. What would we do then? We know very well what we would do, and we know we could resist. In the event of war or of being worn out, we know what we would do, and we know how we would resist. In the event of invasion or occupation of the country by Yankee troops, we know how we could resist, how we could fight, and what we would do. We know that sooner or later, the price would be so high for the aggressors that they would have to leave our country, sooner or later. [applause]

As for our defense, we learned a long time ago how to count only on our own strength. We know that in the event of a total blockade—when not even a liter of fuel or a morsel of food or even one bullet could enter the country—the USSR would not have the conventional forces to break that blockade thousands of miles from its borders. No country can trust its defense to another country. A country can only trust its defense to itself.

Therefore, our minds, our ideas, our concepts are prepared and developed. Do you think we are losing sleep? Do you think we are filled with uncertainty over all these scenarios, these hypothetical situations? Let them [the imperialists] clear the cobwebs from their minds. We know who we are, what we have, what we can do; we know what we can count on.

Therefore, we are at ease. Not even the worst scenario, the worst hypothesis scares us. Since we live in this world and on this planet, we must be aware of the realities, and we must think over the realities. There will be threats in the future as a result of this imperialist policy, these beliefs, this idea that socialism is declining, and that the time is right to exact from Cuba the price of more than 30 years of revolution. No price will be exacted here.

This is nothing new. This has been going on for a long time. [19th century revolutionary hero Antonio] Maceo once said that this would happen to anyone who tried to take over Cuba. This is the people, this is the country, and this is the people of [19th century independence hero Carlos Manuel de] Cespedes and of [independence hero Jose] Marti. [applause] This is the country, the same country, the same people of [19th century patriot from Camaguey Ignacio] Agramonte [applause] and [19th century independence hero] Maximo Gomez. [applause]

This is the same country and the same people of the bronze titan, Antonio Maceo [applause]. This is the same country and the same people of Yara [name given to the first declaration of independence] and of Bayamo, of the protest from Baragua [applause]. This is the same country and the same people. From the Moncada Barracks [applause] to internationalism [applause], we all now have a greater revolutionary awareness than ever before in our history. This people and this country will know how to be consistent with their glorious history! Fatherland or death, we shall win! [applause and cheers]

Continues Tour of Camaguey

FL2607183889 Havana Television Service in Spanish 1700 GMT 26 Jul 89

[Text] We will now show you new footage of Commander in Chief Fidel Castro's tour of Camaguey.

In Sibanicu Municipality, Commander in Chief Fidel Castro visited a breeding center.

[Begin recording] [Castro] I have made all the calculations necessary to find out how much money it costs to produce a liter of soybean milk [leche de soya]. With 1 kilogram of soybean, you can get 8 liters of milk, after you take this out of it. Well, 1 kilogramm costs, more or less, 15 centavos. Let's say 1 kilogram of soybean costs 20 centavos; divide this by eight, and this will give you

2.5 centavos. One kilogram of soybean will give you 8 liters of soybean milk. This has [words indistinct]. You have to add a little sugar. Soybean has protein and fat.
[First unidentified speaker] It needs the energy.

[Castro] You need a little energy. This is why you add a little sugar. You have to calculate a little and then you find out how much a liter of soybean milk costs. How much do they pay you for a liter of cow's milk?
[Second unidentified speaker] They pay us 33.5 centavos.

[Castro] That [words indistinct] costly. Imagine, that [words indistinct]. Raw materials will not cost more than 3 centavos. [end recording]

Also in Sibanicu, Fidel toured the cheese factory that is under construction.

[Begin recording] [Applause] [Castro] [Words indistinct] That is to lose weight, right?
[Third unidentified speaker] Yes it is.

[Castro] This is really to exercise. If you had a crane you people would make more progress here, but then you would not have anywhere to do your volunteer work.
[Third speaker] [Words indistinct].

[Castro] Since what time have you been here?
[Third speaker] Since 8:00 this morning.

[Castro] So you have been here about 6 hours. How much longer before you have lunch?
[Third speaker] We have had lunch and a snack.

[Castro] All of that? When do you work? [chuckles]
[Third speaker] Wait a minute...

[Castro, interrupting] Look, you had a snack in the morning, lunch in the afternoon, and then you had another snack. When do you have the afternoon snack?
[Third speaker] Around 8:00 tonight.

[Castro] At 8:00? When are you going to eat? When does this volunteer work end?
[Third speaker] Whenever we finish this part here.

[Castro] How many more meters do you need to go?
[Third speaker] We are getting to the end.

[Castro] You do this with only a shovel? Don't you use a pick?
[Third speaker] We have a comrade who softens the earth.

[Castro] With a pick?
[Third speaker] He goes first with a pick and then we follow with our shovels.

[Castro] Is the whole municipality [words indistinct]?

[Fourth unidentified speaker] We also invited the presidents of the defense zones, Commander. The mass organization members are here, as well as the members of the people's government, the Communist Party of Cuba workers, presidents of the defense zones, the nucleus secretaries, and the base committee for the youth groups. This includes the youth groups' municipal bureaus.

[Castro] Isn't this ground too hard? Where is the builder around here?
[Fourth speaker] He's right there.

[Castro] Do you not use some digging machines in some of these projects?
[Fifth unidentified speaker] Yes, Commander, we do. This has already been worked on. As you have said, the earth is very sandy. This is where we used the [words indistinct]...

[Castro, interrupting] What goes here?
[Fifth speaker] The automation workshop. This will be for 25 pieces of equipment.

[Castro] Why so many?
[Fifth speaker] It is capable of repairing 25 pieces of equipment.

[Castro] Oh, it is to repair equipment. Who does it belong to?
[Fifth speaker] It belongs to the comrades from nutrition.

[Castro] Why do those workshops have to be here? Does, by chance, this one need 25 pieces of equipment?
[Fifth speaker] I do not know about the capacities.

[Castro] Is this workshop here [words indistinct]?
[Fifth speaker] From here [rephrases] The trucks that distribute the milk from the pasteurizer next door come here.

[Castro] I see. Do you know something? The [words indistinct] of Arroyo Naranjo proposed something to me, and I agree. They wanted the farmer to be the one to take the milk to the pasteurizing area. This way, they say, every time they have electrical problems on a Sunday, they do not have to worry about finding, in all of Havana, the driver of the delivery truck. They are sure that if the farms had the trucks, they would take better care of them and this would ensure milk distribution without worrying about the milk spoiling.
[Fifth speaker] Does much spoil this way?

[Castro] Yes, it does. [applause] [end recording]

In the afternoon, the delegation went to Camaguey City. Here, the leader of the Revolution visited the Genetic Engineering and Biotechnology Center, the second one in the nation. This center will, primarily, dedicate itself to working with the agricultural-livestock sector.

[Begin recording] [Castro] So then, the building space will be over there and over there.
[Sixth unidentified speaker] The building space, to widen, will be over here. It is all of this area. [Words indistinct] production. As a matter of fact, this is where our pilot plant will be. It is a small plant, but it was [words indistinct].

[Castro] When are you going to build it?
[Sixth speaker] Commander, it is built for us. Here we have, in addition to the pilot plant, laboratories to carry out small scale pilot plant work. It is not finished, but it is in this area.

[Castro] Well, thank you. [applause] [end recording]

The Higher Institute of Medical Sciences, one of the more complete institutes in the nation, was visited by Fidel. He was interested in various matters.

[Begin recording] [Castro] Don't you think the rectorate is a little large?
[Seventh unidentified speaker] Well, Commander, this part has...

[Castro, interrupting] What are we going to do with this large rectorate?
[Seventh speaker] I will explain to you...

[Castro, interrupting] Are you going to [words indistinct] or what?

[Seventh speaker] No, the first floor has 2 amphitheaters that can seat 150 people. We also have eight areas for collective studies, as well as a computer laboratory and a classroom with computers. Then, in the teaching building, which is next door and we will show it to you, we have...

[Castro, interrupting] Where are we?
[Seventh speaker] We are here. Then we will go over here to Building No 1.

[Castro] All of these are for teaching. What are these for?
[Seventh speaker] This is the kitchen-dining room area. This is the service area; it has transportation...

[Castro, interrupting] So, most of it is occupied by the housing area. How many interns can live here?
[Seventh speaker] We can house 1,600 interns.

[Castro] The smaller area is the teaching area, right? If there were no housing here we wouldn't have any dining room or any of that. How many workers does this institution have?
[Seventh speaker] We have 700 workers.

[Castro] How many students do you have?
[Seventh speaker] We have 3,100 students. We are going to increase this number to 3,300 next semester.

[Castro] Are you going to increase the number of workers?
[Seventh speaker] No, we are not.

[Castro] When are you going to streamline this?
[Seventh speaker] As a matter of fact, I was talking with Comrade Teja [Julio Teja, Minister of Public Health], and we are going to analyze this as soon as the project is finished. All of the personnel that is working here, when we begin this analysis, will be included in the analysis. [applause]
[Unidentified girl] Commander, I want to give you this flower.

[Castro] Oh, thank you very much. [applause] [People chant: Fidel!] [end recording]

In the last part of the tour, the commander in chief visited the new interprovincial bus terminal.

[Begin recording] [Castro] All of your buses are not here. Nationally, we are going to.... [changes thought] Yes, you know what the problems are like.
[Eighth unidentified speaker] We already have a route from Camaguey to Havana.

[Castro] It did not rain as much as they said it would.
[Eighth speaker] No, it just rained a little, but [words indistinct].

[Castro] Well, congratulations. [end recording]

Grenada

Prime Minister Denies Creating New Party

FL2607225089 Bridgetown CANA in English 2038 GMT 26 Jul 89

[Text] St George's, Grenada, July 26, CANA—Prime Minister Herbert Blaize added to the confusion in Grenadian politics on Wednesday by denying that he had formed a new political party. Blaize said in an interview that the National Party he spoke of in a broadcast last week was a faction dissatisfied with the "New Thrust" of the New National Party [NNP].

"There is still one party but two factions," he said. "The satisfaction we talk about is the National Party, the others are 'New Thrust' or something which we cannot accept." Blaize added in a reference to a campaign for an infusion of new blood and a new direction by NNP political leader Keith Mitchell.

Mitchell, who defeated Blaize at the NNP's convention in January and has lately spoken of his New Thrust leadership, was sacked from the cabinet last Thursday along with the NNP chairman Larry Joseph.

"We do not want to call ourselves NNP until we make sure that they get away from the New Thrust," Blaize said. "We are still officially part of NNP but definitely not part of the New Thrust."

But he said it would be alright if the two factions eventually became two parties. He said the NNP had departed from the principles it held when it won the general elections in 1984. Blaize said he could not be part of that "thrust."

"There are thousands of people in this nation that are genuinely committed to progress with stability," Blaize had said in his broadcast. "Those of us so committed will continue on that path. In consequence, therefore, I now publically declare that we who are so committed are the National Party."

This was taken generally to be an announcement of a break with NNP, which had been planned by the Blaize faction, and the launching of a new political party, "the National Party."

Since his broadcast, two ministers have aligned themselves with Mitchell, prompting calls from the opposition and the NNP leadership for Blaize to step down and call a general election. But days after aides had confirmed that the groundwork had been laid for the new party, Blaize appeared to be leaving the door slightly open for a reconciliation.

"The New National Party is supposed to be there", he said. "We started it with certain ideals. There are certain people who have gone off with their New Thrust which we don't accept and so they have left us with the National Party. If, eventually, the thing comes out to be two parties, then, it is all right." "We are determined not to go off on the New Thrust and, if it is maintained, then we will have to start something else, but we are now declaring that we here are the National Party," Blaize said.

In further explanation, the prime minister said this means that "those who feel they can go with the New Thrust will go, those who feel they cannot will come down and then [words indistinct]. Everything will settle itself and we will know who is who."

Blaize had said in his broadcast that the details of the National Party—"our thing" would be made later. The details, he said in the interview, "would mean when people fit themselves and say, ok, I'm going with the New Thrust or I'm definitely not going with it."

Minister Resigns 'To Distance Himself' From NP

FL2607230289 Bridgetown CANA in English
2038 GMT 26 Jul 89

[Text] St George's, Grenada, July 26, CANA—Health and housing minister said on Wednesday [26 July] that he had formally resigned to distance himself from the political grouping of Prime Minister Herbert Blaize.

Blaize on Wednesday denied that he had formed a new party saying that the National Party he spoke of last week was actually his faction of the New National Party which has ruled since 1984.

But Williams said it was clear to him that Blaize had spoken of a new group.

"It was quite clear in my mind that he was drawing a distinction between the existing party which is the New National Party and the new system that he was setting up," Williams said.

"So quite naturally, it would be very difficult for me to sit with a group that is different from what I am used to and I know that it would be uncomfortable so I thought that the better thing to do was to clear the air and to say that I remain NNP."

Reportage on Nation's Economic Situation

Salinas: Hyperinflation 'Beaten'

PA2607024089 Mexico City EL DIA in Spanish 21 Jul 89 p 3

[Article by Armando Cruz Sanchez]

[Excerpt] Mexican President Carlos Salinas de Gortari said yesterday that one of the greatest tasks Mexicans have undertaken in modern times has been accomplished. Hyperinflation, he said, has been beaten through the Economic Growth and Stability Pact [PECE].

Salinas de Gortari inaugurated the 20th Regular National Council of the Chemical, Petrochemical, and Coal Industry Union at the Fernando Amilpa Auditorium of the Confederation of Mexican Workers [CTM].

The president was well received by the CTM workers upon his arrival. He asked them not to lower their guard, and he called on the working class to keep struggling every day to prevent the inflation problem from reappearing since it has adversely affected Mexican families.

Salinas de Gortari recognized the workers' contribution to the success of the PECE, the main goal of which has been to overcome hyperinflation.

The president, however, recognized the fact that workers still face problems related to improving living conditions, adding: "We are now leaving behind the burden caused by the enormous price increase." [passage omitted]

No 'Budget Adjustments' Planned

PA2507232089 Mexico City Red Nacional 13 Imevision Television in Spanish 1955 GMT 25 Jul 89

[Text] Even though a foreign debt renegotiation agreement has been reached, no budget adjustment will be made. The government will continue to work in a disciplined manner with the budget approved by Congress without making any hasty decisions, President Carlos Salinas de Gortari said during a meeting with members of the PRI [Institutional Revolutionary Party].

The president said we must not expect to see immediate results stemming from the agreements reached with the banks. We should not get ahead of ourselves and allow the beneficial results of the debt renegotiation to be lost. Benefits will come gradually and we must avoid squandering our resources. We must exercise budget discipline, the president stressed.

Debt-Equity Plan Revealed

OW2107183089 Tokyo KYODO in English 1536 GMT 21 Jul 89

[Text] Tokyo, July 21 KYODO—A syndicate of 15 creditor banks from Japan, the United States and Europe have reached an agreement with the Mexican Government on selling off over 100 billion dollars in Mexico's foreign debt to investors at discounted prices, Finance Ministry officials said Friday.

This agreement follows an accord reached between the banks and Mexico earlier this month providing for 54.5 billion dollars or 35 percent of Mexico's foreign debt to be forgiven.

The new agreement applies to the remaining 101 billion dollars in foreign debt.

Under a debt-for-equity swap, the Mexican Government is to issue government bonds to foreign banks equal in face value to the amount of their outstanding loans to Mexico, the officials said.

The banks would then sell the bonds on the international market at market set rates, they said.

In Japan, the banks would be able to recoup by writing off against taxes a portion of whatever loss they sustain through the deal.

Bridge Loans To Be Provided

OW2407140789 Tokyo KYODO in English 1222 GMT 24 Jul 89

[Text] Tokyo, July 24 KYODO—A senior Finance Ministry official said Monday Japan is ready to provide Mexico with "bridge loans" in the form of a credit line to help put the just-announced agreement between Mexico and its creditor banks into effect.

"Providing such a credit line will be possible if requested through international organizations such as the International Monetary Fund and Bank for International Settlements," said the official, who spoke on condition of anonymity.

The official made the remarks in reference to the accord reached Sunday between the Mexican Government and the foreign creditor banks on a reduction of Mexico's 54 billion dollar foreign bank debt, or about half the 107 billion dollars the nation owes to foreign creditors.

The agreement, the first of its kind on Third World debt under U.S. Treasury Secretary Nicholas Brady's plan, gives banks three options—reducing principal by 35 percent in a debt-for-equity swap deal, cutting interest to 6.25 percent or making fresh loans.

The debt relief package reportedly could slash by up to one-third the 4.5 billion dollars Mexico is paying each year to service the debt it owed to commericial banks.

The official also suggested that the ministry is considering administrative guidelines designed to provide tax relief for Japanese creditor banks under current law, which allows banks to write off losses on their bond holdings.

The law enables Japanese banks to write off losses from debt-for-bond conversion if they opt for a reduction in the interest rate in such swap deals.

But there is no common guidelines with regard to foreign bonds. Under the agreement, Mexico's foreign bank debt will be converted into dollar-denominated bonds.

Jan-Jun Inflation Rate

PA2507215789 Mexico City EXCELSIOR in Spanish 20 Jul 89 pp 5A, 45A

[Summary] The Commerce and Industrial Development Secretariat yesterday issued a bulletin reporting that as a result of mutual confidence developed between the public and private sectors, from January to June this year, the country was able to lower inflation to 9.3 percent.

Reportage on Situation With Michoacan Elections

PAN Questions Legality

PA2607040289 Mexico City THE NEWS in English 21 Jul 89 p 39

[Article by staff reporter Kim Lopez]

[Text] National Action Party (PAN) members questioned the legitimacy Thursday of the state elections held in Michoacan July 2, claiming that "none of the involved parties have been able to show documents that demonstrate credibility in the polling process."

Luis H. Alvarez, the PAN's national leader, said Thursday that the PAN questioned not only the alleged triumph declared by the Party of the Democratic Revolution (PRD), but also that claimed by the ruling Institutional Revolutionary Party (PRI), because "we have found alterations in both parties."

During the party's weekly press conference, PAN Deputy Abel Vicencio Tovar called for the formation of an independent commission to make an in-depth analysis of the PRD and PRI official polling reports in the Michoacan elections. This idea was previously suggested by PRD deputy Jesus Ortega during last week's session of the Congressional Permanent Commission.

PAN members claim the 1989 elections were regulated by a law created by Cuauhtemoc Cardenas-currently the leader of the PRD-who was formally a member of the PRI and governor of Michoacan during the latter part of former President Jose Lopez Portillo's administration and the first years of President Miguel de la Madrid's administration.

When Cardenas was governor of the state, the PAN condemned the local bill passed by him because it favored the ruling PRI. And the PAN claims that the PRD is currently "suffering the consequences."

Concerning the selection of members for the independent commission, Diego Fernandez de Cevallos, in charge of Interior Affairs for PAN's shadow cabinet, told THE NEWS these must include five or seven people who are "politically aware, honest and responsible, and who do not belong to any national political party."

PRI Rejects Rerun Proposal

PA2607033189 Mexico City THE NEWS in English 22 Jul 89 p 2

[Text] The ruling Institutional Revolutionary Party (PRI) has rejected a proposal submitted by the National Action Party (PAN) to repeat elections in the state of Michoacan on grounds that a very small percentage of the polling booths registered alterations on July 2.

The PRI's National Executive Committee called a Party of the Democratic Revolution (PRD) proposal to compare PRD-PRI polling reports "an enormous lack of respect for Michoacan's sovereignty and the law and an insult to the political parties involved in the process."

PRI Organization Secretary Roberto Madrazo Pintado and Federal Electoral Commission representative Cesar Augusto Santiago said that to date, too few irregularities exist to justify the annulment of the Michoacan elections.

They said that according to the Cardenas Law (proclaimed by current PRD leader Cuauhtemoc Cardenas when he was governor of Michoacan), "the opposition still has more opportunities to present its disagreement over the results that favor the PRI in 12 of the 18 districts."

Madrazo Pintado said the Michoacan elections were "absolutely normal" and condemned PRD protest actions that he said "threatened political stability in Michoacan."

Pemex Pumps 2.5 Million Barrels Daily Jan-May

PA2607041789 Mexico City THE NEWS in English 22 Jul 89 p 39

[Text] Petroleos Mexicanos (Pemex) pumped 2.52 million barrels a day of crude oil from its off-shore and land-based drilling sites during the first five months of the year, Pemex reported this week.

More than half of the production—1.3 million barrels—was exported, with the remainder used domestically as fuel or raw materials for the petrochemical industry, a Pemex press release stated.

The state-run oil company produced 197,200 barrels of heavy Maya crude per day and 1.3 million barrels a day of a lighter-grade crude.

The offshore drilling site in the Sound of Campeche continued to be Pemex's most productive field, followed by land-based wells at Mesozoico de Chiapas-Tabasco.

Pemex also produced 3.5 billion cubic feet of natural gas per day during the January-May period, an increase of 0.3 percent over the same period last year, Pemex reported.

The natural gas deposits in southeast Mexico proved to be the most productive drilling sites.

Mexico did not export any natural gas during the five-month period, in keeping with Pemex policy, the press release stated.

El Salvador

UNTS Rejects Government's Economic Package

PA2607232289 San Salvador Canal Doce Television in Spanish 0300 GMT 26 Jul 89

[Excerpts] The National Union of Salvadoran Workers, UNTS, today rejected the government's economic package because it calls for resolving the country's financial crisis by imposing hardships on the majority of the people, while neglecting the war issue. The UNTS rejected the package and urged the nation's popular organizations to carry out demonstrations on 28 July and to not pay for utility bill increases.

[Begin recording] [First unidentified speaker] The UNTS position on this is that we should not pay a single cent of the increases in bus fares and energy and water bills. What the poor must do is take to the streets and demonstrate against Cristiani's terrible economic package.

[Second unidentified speaker] I understand that people from the university will march from the University of El Salvador, and that they and UNTS members will end the demonstration with a meeting, which we expect will be attended by the political parties—the Christian Democratic Party, the Democratic Convergence—and by our colleagues from the National Peasant-Worker Unity and the Central Organization of Salvadoran Workers. We intend to show this government that the people will not bend in the face of terrible economic packages and repressive measures, such as the ones recently implemented. [end recording]

The UNTS also condemned the arrest of Msgr Gregorio Rosa Chavez' brother and has described it as a campaign directed against the bishop and against his office's work for peace. [passage omitted]

The UNTS intends Friday's demonstration to be a rejection of the economic measures that the government wants to impose, while, at the same time, the government fails to find a solution to the war and will not listen to the majority's demand for a better standard of living.

Meanwhile, President Alfredo Cristiani said today that the Salvadoran people will not be affected by staple price increases or by bus fare hikes. The president has reported in an official communique that his administration will protect lower-income families and will not allow a further deterioration of their economic situation.

According to the communique, the president is concerned with the fact that some sectors are trying to harm citizens by sowing confusion and by distorting the facts about the government's programs for political reasons. In the communique, President Cristiani said that the people must understand that it is better to take measures that will resolve the crisis than to endure demagogic stands that will aggravate it. Finally, the president urged the commercial sector and consumers not to allow unjustified price increases on staple products.

Colonel Vargas on War Situation, FMLN Strategy

PA2607212889 San Salvador DIARIO LATINO in Spanish 26 Jul 89 p 3

[Text] Colonel Mauricio Ernesto Vargas, commander of the 3d Infantry Brigade with headquarters in San Miguel, discussed the war situation and said that peace will not be achieved by defeating the Farabundo Marti National Liberation Front [FMLN].

The military commander said: From a military viewpoint, I want to state that there are no simple formulas to win the war, and the final victory will not be ensured by defeating the FMLN in combat. "The Salvadoran conflict is not simple, and it cannot be solved in the short term. The war generates a threat that involves not only the military. The national pledge must be strengthened at every level."

Some people believe that the current crisis is a challenge to solve the military issues without thinking that the social, political, and economic sectors must join the struggle. "I am not trying to evade our responsibility, and I believe that the success of the military operations is an important element of the victory, but we must understand that the social, political, and economic conditions—objectively or subjectively handled—are the reason for the FMLN's existence."

"If the people are unhappy, both socially and economically, this contributes toward our own destruction. This means there is an absolute dependence on the people. The Marxists believe that the people are their center of gravity, and they avail themselves of any unhappiness."

Col Vargas said that, from his personal viewpoint, much progress has been achieved in the military sector in the struggle against the subversives, because the struggle has stopped the military actions of the FMLN, which now resorts to terrorism. Thus, the military commander said, the struggle must now be aimed at neutralizing the other causes that nurture the FMLN. This is the only way to find a road to peace that coordinates the struggle waged by the government and the Armed Forces.

Five Charged With Attacking U.S. Nuns

PA2607134289 San Salvador Radio Cadena YSKL in Spanish 1210 GMT 26 Jul 89

[Text] Five individuals charged with attacking three nuns—two U.S. citizens and one Salvadoran—near Zaragoza, La Libertad Department, were arraigned before a court in Santa Tecla.

It was learned that the individuals admitted they were responsible for the attack after being tortured by their captors. However, they denied responsibility for the attack when they appeared in court.

The five individuals, who seem to be very young, have been charged with attacking the nuns, one of whom, Mary Stanislaus MacKey, was seriously wounded.

The judge in charge of the case said the court will wait 72 hours for witnesses to provide more information. Nun Ana Maria Brangan did not provide any further details on the incident during her testimony.

Rebels Air Battle Reports for 23, 25 Jul

PA2607213589

[Editorial Report] (Clandestine) Radio Venceremos in Spanish to El Salvador at 0000 GMT on 26 July carries approximately 5 minutes of military reports on battles between the Farabundo Marti National Liberation Front and the Salvadoran Armed Forces.

One of the reports states that "at 0900 on 25 July, rebel forces ambushed a vehicle carrying cavalry troops on the Pan-American Highway, near La Herradura, Villa El Triunfo jurisdiction, Usulutan Department." The report adds that "the explosion of three bombs caused 10 casualties and heavily damaged the vehicle."

The other report, received from Morazan Department, indicates that "on 23 July, guerrilla forces attacked a Morazan Battalion company in Canton Agua Blanca, Cacaopera jurisdiction, but it is unknown how many enemy casualties were inflicted."

Guatemala

Two Bombs Explode in Capital; No Casualties

PA2707044489 Paris AFP in Spanish 0354 GMT 27 Jul 89

[Text] Guatemala City, 26 Jul (AFP)—Two bombs exploded tonight in Guatemala City. No casualties were reported from the explosions, though the blasts caused some property damage. Local residents were alarmed by the blasts, which came in the wake of several other explosions in the city over the past few days.

The first explosion occurred on the grounds of the privately run Rafael Landivar University, west of the capital, damaging at least two vehicles, a local radio station reported.

Minutes later, another bomb exploded near the Italian Embassy, slightly damaging the building.

According to the radio station, the explosions were caused by grenades.

Similar incidents took place Tuesday night at the Francisco Marroquin University, run by Jesuits, and in front of a businessman's residence, but no one was wounded as a result of these blasts.

Tonight's explosions occurred while approximately 10,000 people, most of them students and striking government workers, held a protest demonstration at the central plaza in front of the government palace, which was being protected by riot police.

Honduras

Security Council Approves Plan To Evict Contras

PA2707031189 Buenos Aires REUTER in Spanish 0247 GMT 26 Jul 89

[Text] Tegucigalpa, 26 Jul (REUTER)—Honduras today approved a plan to demobilize approximately 12,000 Nicaraguan rebels who have been operating from Honduran territory, a high government official has reported.

Interior Minister Enrique Ortez said that the Honduran Security Council, the country's highest military and civilian agency, approved the plan to evict the contras from Honduras presented by President Jose Azcona.

Nicaraugua

Ortega Reiterates Talks With Opposition

PA2607173689 Managua Sistema Sandinista Television Network in Spanish 0200 GMT 26 Jul 89

[Text] President Daniel Ortega Saavedra announced today that the dialogue with the opposition political parties will be held in early August, before the Central American summit begins in Honduras.

[Begin Ortega recording, in progress] ...before the meeting in Honduras. The summit will be held on 5-7 August in Tela. We want to begin the dialogue before this meeting.

We are going to invite all registered parties—in other words, all 21 parties, including the Sandinist National Liberation Front [FSLN]. We are going to invite all parties without exception.

We are going to invite all parties, and we expect none of them to refuse, because they have been asking for a dialogue. So I expect they will not refuse to hold a dialogue and will not set conditions, because they cannot set conditions. We are going to start talks with the 20 parties; rather, with the 21 parties, because (?this includes) the FSLN. We are going to start talks with all parties, and we will present an agenda and a (?proposal). [end recording]

The agenda includes, according to the president, the Central American peace process and progress in that regard, the electoral process and electoral rules, and the law on the media, among other issues.

President Ortega said he will explain to the political parties the need for all of the country's forces to support the peace process, the agreements that have been reached at past summits, and the importance of the contras' demobilization.

Tirado Lopez on Dialogue Topics

PA2707044389 Managua Radio Sandino in Spanish 1930 GMT 27 Jul 89

[Report on interview with Victor Manuel Tirado Lopez, member of the National Directorate of the Sandinist National Liberation Front (FSLN); date and place not given]

[Summary from poor reception] Commander of the Revolution Victor Manuel Tirado Lopez told the media that in the upcoming national dialogue with the Nicaraguan opposition, the Sandinist government will not hold negotiations "on matters that would run contrary to the Constitution or to the country's laws."

[Begin recording] [Tirado] The negotiations will deal with electoral matters, matters relating to the elections.

[Reporter] Representatives of the UNO [National Opposition Union] say that they will discuss the extension or the revocation of the patriotic military service and the reserves. Is the Sandinist National Liberation Front [FSLN] prepared to negotiate this?

[Tirado] "It is not a question of whether the FSLN is willing or unwilling to negotiate." We must keep in mind that we have a Constitution. I believe that we should discuss matters that will contribute to the participation of all political parties, both those that are registered and those that are not.

[Reporter] "Obviously, the UNO has become the (?spokesman) of the armed counterrevolutionaries. Will proposals made by the UNO related to negotiations with the armed counterrevolutionaries be accepted?"

[Tirado] We will discuss anything within the law and the Constitution. We must respect the law. [end recording]

Ortega: Only 'Share of Power' To Be Surrendered

PA2707041389 Managua LA PRENSA in Spanish 25 Jul 89 pp 1, 12

[Text] Sandinist Commander Daniel Ortega, who poses as the president of this country, today said that if the Sandinists lose the elections to the National Opposition Union [UNO], they will only surrender a share of power.

During a working breakfast with foreign journalists of the International Press Club, Ortega was asked what the Sandinists would do if they lost the 1990 elections. He said: "We would turn over shares of power."

According to the commander, "the people give out shares of power, a share to the executive branch to carry out its work, a share to the legislative branch, and a share to the judicial branch. Therefore, we would be turning over the executive branch's share."

Ortega admitted that it is the people who dismiss or choose governments and stressed that his idea of democracy is that "only shares of power should be surrendered because real power rests solely in the Nicaraguan people's hands."

The opposition is demanding that this topic be discussed between UNO and the Ortega regime in a national dialogue because it feels that a crisis of power was created in Nicaragua when the date of the elections was moved up, an action that violated the Constitutions electoral laws.

Ortega, who is almost certain to become the FSLN [Sandinist National Liberation Front] Party candidate for a 3d term in the 25 February elections, also stated that his party selects presidential and legislative candidates by "consensus." He explained, however, that the organizations making such decisions are consultation groups only.

Foreign reporters asked him repeatedly about the alleged involvement of Nicaraguans in international drug trafficking and the case of former General Arnaldo Ochoa, and Ortega said: "Fidel has told me that there are no Nicaraguans involved in it. He assured me of that."

He also discussed the country's economy, noting that it will remain the same, but added that "there could be minimal economic adjustments in August."

CRN To Oversee Electoral Process

PA2607222689 Managua Radio Sandino in Spanish 1200 GMT 26 Jul 89

[Text] The National Reconciliation Commission [CRN] agreed late yesteday to oversee the entire electoral process, according to statements by CRN President Cardinal Miguel Obando y Bravo. Following 1 and ½ hours of talks, the seven members of the commission agreed that the commission would oversee ethical issues related to the electoral process. Vice President Dr Sergio Ramirez Mercado called this moral supervision.

Another one of the topics discussed at the CRN was the question of dialogue between the government and the opposition political parties taking part in the 1990

elections. Dr Sergio Ramirez, the government representative at the CRN, confirmed President Daniel Ortega's decision to hold a dialogue with the opposition to discuss media and electoral process rules.

The CRN agreed to verify the entire electoral process, culminating with the February elections. According to Cardinal Miguel Obando y Bravo, the commission's main job is to oversee the ethics of the electoral process.

[Begin Obando y Bravo recording] The various documents describing the CRN's role were read. The electoral process received special emphasis. Dr Sergio Ramirez said that the word verification has a very broad meaning, and after talking further we agreed that we would not just supervise only during the actual voting but will be verifying the entire election process. It would be very difficult for the CRN to carry out verification in the strictest sense of the word because it does not have enough people or the necessary funds to do this. The CRN should be in contact with the Nicaraguan Government, the Supreme Electoral Council, the opposition political parties, and international organizations.

The CRN is made up of government and opposition political parties, and through the media we should be able to learn what the Supreme Electoral Council and the international organizations are thinking. It is important that the CRN start working on the process to provide certain guidance and to create an atmosphere of reconciliation. [end recording]

In describing the role of the CRN in the electoral process, Vice President Dr Sergio Ramirez Mercado said:

[Begin Ramirez recording] We are going to outline during the next meeting the CRN's role in the electoral process. As His Eminence has already mentioned, the CRN is going to supervise the entire electoral process in general and during its various stages. The CRN is going to be in contact with the political parties, the Supreme Electoral Council, the government, and any international organization that may come to observe these elections. I feel that it is important that I mention that the commission Cardinal Obando y Bravo heads will supervise election ethics. As I said before, the commission must ensure that the language used is constructive and of the highest standard. I hope the campaign does not degenerate into offenses, insults, and slanders. The CRN has the role of supervising the morality of the campaign.

[Reporter] Will the political parties have access to television time for campaigning?

[Ramirez] This requires further discussions and the electoral law will determine how the time is distributed. [end recording]

Country Unable To Pay Mexico for Oil Shipments

PA2607224789 Mexico City EXCELSIOR in Spanish 21 Jul 89 p 43-A

[Summary] Jose Ramon Garcia, first counselor at the Nicaraguan Embassy in Mexico City, has said that his country owes $50 million to Mexico for oil shipments. He noted that Nicaragua will not receive any more Mexican oil unless the Mexican Government changes the San Jose Pact, which stipulates that no Mexican crude will be supplied to nations that do not meet their payments. Interviewed at the end of the "Economy, War, and Peace in Nicaragua" roundtable organized by UNAM's [National Autonomous University of Mexico] Economic Research Institute, Garcia said that his country's economic situation "is very difficult because of the U.S. economic and political blockade, and, consequently, Nicaragua will be unable to make these payments."

Panama

Foreign Minister on OAS Meeting, Elections

PA2607184689 Panama City Domestic Service in Spanish 1650 GMT 26 Jul 89

["Exclusive" interview with Foreign Minister Jorge Ritter by unidentified reporter in Panama City; date not given—recorded]

[Text] [Ritter] Most of the foreign ministers' consultations at the OAS were held during informal meetings, not during the formal meeting, and the text of the declaration was discussed word by word with all the delegations. Therefore, the declaration reflected the feelings and wishes of all the hemisphere's countries. Also, the organization decided.... [changes thought] The foreign ministers decided to include the expression that has been the center of controversy, meaning free elections.... [changes thought] the call to hold free elections in the shortest time possible. This seems to give, this gives the new government a provisional or temporary character.

Judging from the reactions in Panama, the opposition wanted the OAS to recognize the victory they claim they won in the 7 May elections. Colombian Foreign Minister Londono has clearly said that the OAS is not an election tribunal. The issue is clearly an internal Panamanian matter. The elections were annulled, and this creates a new, different political situation—and the elections cannot possibly be reconstructed. Therefore, the OAS is simply recognizing an internal Panamanian reality, meaning the annulment of the elections.

The OAS made a suggestion in agreement with the Panamanian Government, which was represented by Dr Adolfo Ahumada and myself. The new government that will be sworn in on 1 September must call for elections in Panama within the shortest time possible. This decision was adopted by consensus, based on the understanding

that the parties involved in the dialogue have asked the OAS to continue its mediating role. This was stated in the national dialogue's first communique.

The OAS is asked to assist the parties involved, so the nature of the OAS mandate has changed. The original mandate was to seek formulas for an agreement, meaning to sponsor formulas for an agreement. Now the mandate is to assist the parties participating in a dialogue so they may find the way for carrying out a transfer of power on 1 September and for having a government [rephrases] for holding elections within the shortest time possible.

As a result of the declaration adopted by the OAS consultative meeting, all Panamanians are speaking the same language. When I say speaking the same language, I mean that we no longer have some people demanding a new government and others demanding the recognition of certain election results. Now all must discuss what we will do on 1 September, based on the understanding that the elections were annulled. This can lead to a true dialogue because now we all rest [rephrases] accept each other's position based on the same understanding. The dialogue was much more difficult in the past because—this is quite clear now—the opposition hoped that the OAS would recognize the victory they claim they won in the 7 May elections.

[Reporter] Could the mediators return to Panama this weekend?

[Ritter] I have spoken with the OAS secretary general and Ecuadoran Foreign Minister Diego Cordovez by telephone. I have not been able to contact the other two foreign ministers. We have yet to set a date for their return. I explained that they would come to assist the parties involved. The parties must request, demand, or agree on that assistance so that the national dialogue may continue. The OAS does not come to impose solutions or viewpoints; it comes to assist the parties involved. It seems that one of the parties does not want that assistance and does not want to hold a dialogue within the OAS framework. Perhaps the OAS participation will be different—or perhaps it will not have the same connotations—than what some people expect.

I think we should wait for developments in Panama to clearly determine if the OAS commission will come to Panama, but I do not believe the commission will be able to come this weekend, because the current situation does not merit their return so soon.

Students Protest Against Noriega, U.S. Actions
PA2607224689 Panama City ACAN in Spanish 2204 GMT 26 Jul 89

[Text] Panama, 26 Jul (ACAN-EFE)—Panama National University students held two demonstrations today—one against General Manuel Antonio Noriega [commander in chief of the Panama Defense Forces, FDP] and the OAS resolution proposing new elections; and the other against recent U.S. military maneuvers.

Riot police, using tear gas bombs and firing birdshot, broke up the demonstration against Gen Noriega and the OAS resolution. This demonstration blocked one of Panama City's major highways. The other demonstration, against the U.S. military maneuvers, was without incident or police intervention.

These are the first incidents of this kind reported since the annulment of the 7 May elections. The university canceled classes in light of the demonstration. Students from mid-level schools also participated in the protests. They, along with university students, blocked city streets, causing traffic congestion. There are no reports of any people having been wounded or arrested during these clashes.

During the past few weeks, and particularly during the past 4 days, several U.S. Army South units stationed in Panama have been conducting some spectacular military maneuvers, involving hundreds of troops, armored vehicles, helicopters, and fighter planes. Armored vehicles have entered areas of Panamanian-U.S. military coordination. Gen Noriega's offices are in one of these areas.

In the protest against Noriega, the students shouted "FDP, den of thieves," and "Respect for 7 May (election day)." Although the protest was dispersed after the Panamanian military arrived, several groups stayed on the university campus from which they threw stones at the policemen, who responded by firing birdshot.

Opposition Calls Noriega Departure 'Basic Goal'
PA2707003089 Panama City Circuito RPC Television in Spanish 2319 GMT 26 Jul 89

[Interview with Ricardo Arias Calderon, former first vice presidential candidate for the Civic Democratic Opposition Alliance, by unidentified reporter in Panama City on 26 July—recorded; broadcast in progress]

[Text] [Arias Calderon] ...concerning the dialogue are the objectives. The basic goal that seems to be shared by all members of the OAS and the delegation is the departure of General Noriega. That is a basic point, because without his departure, democracy makes no sense in Panama. Therefore, if we want the dialogue to have any meaning, then the dialogue should be centered on that condition so that here there can be democracy, and that condition is General Noriega's departure.

The foreign ministers delegation even says in its report that both the opposition and government supporters agree that we must resolve the General Noriega issue so that there can be a solution. Therefore, we must take seriously that aspect of the foreign ministers mission.

[Reporter] Will you continue to participate in the dialogue?

[Arias Calderon] That all depends on how the OAS delegation clarifies the sense of its mission. If the delegation declares or makes it clearly understood that its plans will adhere to the report, and that the basic task is giving General Noriega a departure date, then there can be all sorts of dialogue.

Cordovez Chides Opposition's Reaction to OAS

PA2607162789 Madrid EFE in Spanish 0519 GMT 26 Jul 89

[Text] Quito, 25 Jul (EFE)—Ecuadoran Foreign Minister Diego Cordovez, a member of the OAS commission on Panama, today described as negative the Panamanian opposition's interpretation of the resolution to create a provisional government in Panama.

The resolution is part of a declaration recently issued by the OAS that calls for "the transfer of power on 1 September" and "a call for free elections as soon as possible."

Cordovez said in Quito today that he differs with the Panamanian opposition's views because they have not taken into consideration the fact that the document "definitely demands what the opposition has called the main issue: the transfer of power" in less than 40 days.

"A resolution such as this one, which the commission did not draft, lends itself to many interpretations. The Panamanian opposition's interpretation is negative; however, once they study the document, they will agree with it," Cordovez said.

The Ecuadoran foreign minister added that "it would be unfortunate if at this moment—and because of interpretations, which I believe are mistaken, of the intentions of the foreign ministers (members of the OAS commission)—the continuation of the process is delayed."

Cordovez added, however, that the opposition is made up of persons with "a great sense of responsibility" who will not isolate themselves and who will not "refuse to continue participating."

The official added that he and his colleagues from Guatemala and Trinidad and Tobago—all members of the OAS commission—are carrying out continuous consultations "to decide, in the next few hours, what our next approach will be."

Cordovez stressed that at the unanimous request of the three interested parties (the Panamanian Government, the Panama Defense Forces, and the progovernment and opposition parties), the OAS commission will return to Panama to help in the negotiations. Cordovez did not specify when the commission would go to Panama.

Opposition May Not Participate in Dialogue

PA2607230889 Panama City MATUTINO in Spanish 26 Jul 89 p 4

[Editorial: "Abstention—A Suicidal Path"]

[Text] Even though no statement that could be taken as the final word of the opposition parties has been made public yet, there are rumors that the members of the ADOC [Civic Democratic Opposition Alliance] are seriously considering not participating in the talks—negotiations—that would result in the reorganization of the government body that will be responsible for the decision making in the country after 1 September.

With the respect that all opinions deserve, and despite the confidence that the political supporters may have in the decision adopted by the group that politically coordinates the opposition, we think that this path, the path of abstentionism, would be the least advisable for the Panamanian family as a whole as well as for the parties that comprise the ADOC.

Our opinion is based on what we have learned from the history of the fighters in this type of struggle and is strengthened by what logic tells us would be the result of this negative attitude. A look into a political party's past—regardless of the country or the times—shows us that power (the undeniable goal of all parties) was never achieved through abstentionism.

The absence of persons or parties from debates held to consider causes, effects, and projections of sociopolitical phenomena has only been useful as an expression of protest. This absence does not become a ladder toward victory, either on a short- or a long-term basis. In this case the victory will belong to all because we all want to achieve what our country needs to restore the normalcy that is necessary for our economy to recover and for peace to be achieved. It is clear that any sector that evades the responsibility of participating denies itself the right to share in the national decision making process and to enjoy the benefits that such decisions could bring in the near and distant future.

In addition, there is a factor that could nullify the abstentionist stance of these groups. The absence of one or more groups from the tripartite dialogue will be effective only if all the members of each of these groups refuse to participate in the talks. In other words, if some of the government parties that participated in the elections refuse to talk, the absence of these parties will not prevent the remaining progovernment parties from exercising their right to talk. Also, any agreements reached with the participating parties will be fully valid despite the absence of those who decide not to participate.

This could happen. Should any of the factions of the three sectors fail to show up at the scheduled time and place for the meeting, the remaining factions of each sector can make decisions for the entire sector.

The Panamanian people, with their characteristic common sense, will support these decisions because they are tired of the intransigent reluctance of a few, which could result in the failure of a healthy effort to achieve the agreements that the Panamanian nation urgently requires.

PRD's Castro Sees U.S. 'Psychological War'

PA2607190989 Mexico City EL NACIONAL (POLITICA Supplement) in Spanish 20 Jul 89 pp 14, 15

[Interview with Nils Castro, international relations secretary of Panama's Democratic Revolutionary Party (PRD), by Miguel Angel Velazquez—date and place not given]

[Text] [Velazquez] There will be important developments in Panama over the next few days. It has been said that the appointment of [U.S. Army South Commander] Marc Cisneros to lead U.S. troops in your country suggests a possible U.S. decision to use force against Panama. What is the situation?

[Castro] In my opinion, there are two factors at play here. First, there has been an intensification of the U.S. psychological war against Panama through intimidatory military maneuvers; second, there has been political pressure and—why not say it—also U.S. psychological pressure on other Latin American governments in an attempt to change their governments' attitude to promote a harsh decision against Panama at an upcoming OAS meeting.

The promotion of General Marc Cisneros to chief of the Southern Command [title as published], which includes all U.S. troops stationed at the Panama Canal, and the outlandish political speech he delivered during his change-of-command ceremony further worsened the situation. Cisneros did not arrive in Panama recently; he has been there for years. He was previously Southern Command operations chief; he is a psychological war expert and has been involved in many actions against Panama during his tour.

He was promoted to chief of the command to replace a much more reasonable and moderate man. Cisneros is a hard-line gringo-lover. As you know, the most ferocious enemy that a Latin American can face is another Latin American who has renounced his heritage—that is Cisneros.

[Velazquez] Could this change in command be interpreted as a more specific move on the part of Washington to carry the aggression beyond the verbal and purely psychological mode?

[Castro] That is very possible. My opinion is that, now as always, the United States is considering several alternatives at once and will adopt one of them at a given time, depending on the developments.

[Velazquez] What are those alternatives?

[Castro] The OAS is obviously one of them, but according to the State Department, the OAS fails to satisfy U.S. Government interests. There is also psychological and economic aggression and military intimidation; Cisneros' warmongering, aggressive speech is an example of the latter. There is also a suspiciously frequent number of military cargo plane flights to the Golfito area in Costa Rica. It has been said that these planes are moving contra troops and military equipment from Honduras to an area near the Costa Rican-Panamanian border.

This can also be interpreted in two ways: as a threat for Panama and as intimidation for other Latin American peoples. Peoples and governments are being intimidated with talk of a possible U.S. military intervention in Panama. This is done to apply pressure on them before the OAS meeting takes place and to facilitate the State Department's aggression against Panama with the complicity of Latin American governments.

[Velazquez] How has this complicity taken place?

[Castro] By combining the recourse to the OAS with political and financial pressure on the continent's governments. You must bear in mind that the debt is not just a way to bleed our peoples. It is also a way for Washington to have political hegemony over Latin American countries.

[Velazquez] Would you say some governments are forced to take action because of that pressure?

[Castro] I believe the atmosphere of disinformation and confusion at the first OAS meeting was evidence of this coercion. As things have been clarified, however, there has been an increasing Latin American reluctance, an increasing shame among some governments, and a greater repugnance among other governments about being accomplices to the sacrifice of a Latin American nation. Therefore, the United States had to resort to additional actions to force Latin American governments to become accomplices in taking harsh steps against Panama.

At the same time, the United States has not only threatened a military aggression—it has been taking other actions. This is how we interpret the increasing movement of "contra" troops from Honduras to the Costa Rican-Panamanian border.

[Velazquez] There are other significant events that deserve to be analyzed. Several embassies, including the Italian Embassy, are evacuating their staff. The U.S. citizens who were living in Panama have left. Only those who live in the canal zone and in areas strictly for the use of U.S. military personnel remain in Panama. Is this not another warning about what could be a decision the Bush Administration has already made on this situation?

[Castro] That seems a correct interpretation. This has two sides, as do all other U.S. actions. This implies the creation of a state-of-war atmosphere through the evacuation of military dependents and civilians and the reinforcement of U.S. troops. This is also an interesting form of economic aggression. Many of those military dependents and civilians paid rent to Panamanians, went shopping at supermarkets in Panama City, went to local movie theaters, and spent a large amount of money on our country's economy. By reducing that civilian population, the United States is also deepening the economic crisis.

[Velazquez] What is the Panamanian people's response to these aggressions? It seems there are two trains of thought in Panama.

[Castro] There is no doubt that most Panamanians are determined to defend their country, their sovereignty, and their destiny against any type of foreign aggression. They are determined to actively mobilize themselves to reject any type of foreign aggression, even an armed attack.

It is a matter of facing a very powerful army that is already in Panama. There are more U.S. than Panamanian soldiers in this country, and there is a gap in military technology. This means the United States would not have to land troops as it did in the Dominican Republic in 1965; the U.S. Army has been here since the turn of the century. To repel a force of this nature requires both irregular warfare and the people's participation.

The rejection of a U.S. military intervention is not the exclusive task of the military. It is the task of all patriotic Panamanians using all means of struggle that may be necessary to resist as long or as much as possible.

Lately there has been some talk about an extremely immoral possibility—an illegal one, of course—to which the United States has resorted in recent times. It is a euphemism known in that country as a surgical operation; in other words, an attack on a specific person. The attack might be carried out by a squadron of bombers, not by a gunman. It would, nevertheless, be an attack on one person.

I should make it clear that Panamanians consider any type of attack to be the same. They do not care if it is an invasion with thousands of troops or if it is a surgical operation. The people's reaction will be the same.

Among the few means of defense we have available, we obviously have the option—even though we would not like this to happen—of interrupting the canal's activities. We hope an intervention will not lead to irreparable or almost irreparable damage to the canal. We would not like things to reach those extremes because the canal is a national asset that we are trying to recover.

[Velazquez] An opinion frequently expressed in the media is that the conflict is caused by whims. On one hand, the United States capriciously wants to oust a man from power, and on the other, some Panamanians capriciously want him to stay in power. What is the real situation?

[Castro] First of all, this war is not between Washington and Noriega, although the United States has tried to present it that way. It is an aggression from Washington against the process of creating the Panamanian state and against the Panamanian people's goal of national liberation. Hence, the main objective is not Noriega but the preservation of U.S. military bases in Panama, which the United States agreed to dismantle more than 10 years ago with the signing of the Torrijos-Carter treaties.

Under the conditions that existed in 1977 when the treaties were signed, or in 1979 when they were first implemented, the United States did not consider the military bases in Panama of geostrategic importance. During those years the concept that prevailed was mutually assured destruction in a confrontation with the Soviets. As U.S.-Soviet relations improve, however, strategic and nuclear weapons are being reduced. Therefore, U.S. strategists again give importance to conventional forces, particularly to rapid deployment forces.

By 1987, the United States did not want to give up its bases in Panama. It then tried to make amendments to the Torrijos-Carter treaties to guarantee the presence and improvement of its military bases in Panama beyond the year 2000, although the treaties state these bases must be turned over in 1999. So, as you can see, the strategic objective is more than destroying or eliminating a man.

[Velazquez] To what extent is General Noriega the product of an aggression and to what extent is he a leader who replaces Torrijos and has the people's support?

[Castro] Noriega is an officer who emerged from the people and who is a Torrijist; he was Torrijos' right hand during most of the latter's leadership. He has been a defender and custodian of Torrijos' political and moral heritage. By attacking Noriega, the United States is trying to hurt the Torrijist military institution.

The United States is trying to punish Noriega for his lack of submissiveness and for his support for liberationist grass roots forces. It also wants to prevent the bad example that Panamanian military men can give to other Latin American armed forces.

In the U.S. view, Noriega has to be destroyed to eliminate a larger problem, which is the Torrijist forces that support the national liberation process and the process to create an independent state.

Naturally, had Noriega yielded to pressures and bribery, today he would be a very rich man without any problems. However, the fact that Noriega has adopted a firm and patriotic stance and that he has firmly resisted U.S. attacks has undoubtedly made him the leader of the Panamanian people's most vital cause. The aggression has turned him into a national leader; it is not an individual leadership but a mass movement that has an echo inside the barracks.

[Velazquez] Cisneros has met lately with opposition groups in Panama, and there have even been reports that a letter was sent to Noriega on 6 May. Is there any truth to this?

[Castro] Cisneros is a specialist in psychological warfare, so he has helped devise, not only lately but for a long time, many of the types of aggression that have been used against Panama. It has been reported—although I have no evidence of it—that he drafted the letter in which President Bush gave an ultimatum to Gen Noriega on the eve of the elections. Therefore, this would not be the first time that he has met with leading opposition figures or that he has participated in activities that constitute meddling in Panama's sovereign political affairs.

Quite a few things are piling up in this case. There are suspicious movements in Costa Rica, which are obviously condoned in some way by that country's government, because the number of troops and equipment is too large for that government not to notice them. There is the promotion of such an aggressive man as Cisneros; the provocative flights over military areas; the evacuation of U.S. civilians; and the creation of a psychological climate involving threats not only to Panamanians—who no longer feel any fear—but to Latin Americans as well. Some governments further south in the continent are concerned over the possibility of a U.S. military aggression against Panama and say: "This is horrible; we are going back to the era of the big stick and of gunboat diplomacy." If the United States invades Panama, these governments say, we will be going back 50 years in Latin American history—this has to be avoided. So they say that we Panamanians have to make certain concessions to keep this from happening. We know this is just a way to avoid the headache of having to assume the responsibility of showing solidarity with Panama. So they ask us Panamanians to be the ones to kneel. This way they avoid any hassles.

Our answer has to be: If the United States attacks a Latin American nation, the responsibility for defending the sovereignty of that nation falls on all Latin Americans. The Panamanian Government played a key role during the conflict between Great Britain and Argentina, in which Panama had no tangible interest. Nevertheless, we shared Latin America's responsibility not only because we too were born on this continent, but because we had to assume it as Latin Americans. This is what every government on the continent should do in the event of a U.S. aggression against Panama. There is even a pragmatic reason for this: If the United States is able to intervene in Panama, these Latin American governments should all take precautions, because after that intervention, all those who do not reject the intervention or reject it halfheartedly will be placing themselves at the mercy of the United States.

[Velazquez] What would be the fate of Latin American countries if they were to yield to the U.S. Government?

[Castro] It is necessary that the norms and principles of international law as well as moral laws be respected, because this respect is important for our nations' sovereignty, self-determination, and physical integrity. If we begin accepting the violation of our sovereignty and treaties, our countries' security and integrity will be in terrible danger. If the United States is forced by the international community to respect treaties and international law in the case of Panama, then the other Latin American countries will be able to feel safe and to breath more easily.

This is not a case of a Latin American battle for the sake of Panama. This is a battle in Panama for the sake of Latin America. Respect for a country's sovereignty is of essential importance. It is one of those Mexican traditions we have applauded and admired. Mexico has always been careful to respect the principles of international law, because this is not a case of abstract theories but of the security of a state and of its citizens.

This is the reason why we appreciated the speech delivered by Mexican Foreign Secretary Fernando Solana at the OAS meeting. It was a speech based essentially on principles. Mexico, in defending the Panamanians' right to self-determination, defends the rights of all Latin Americans.

[Velazquez] Observers of the Panamanian situation believe there are signs that force will be used to find a solution to the conflict. How do you view the possibility of an armed aggression by the United States?

[Castro] The United States has in Panamanian territory and in nearby areas all the forces it needs to intervene in Panama. It has permeated the American people with a disinformation campaign about Panama to create among its people and, especially, in the U.S. Congress the political conditions for an armed aggression. We, as Panamanians, have the duty of making sure that the cost of that aggression is very high and lasting. That is part of the defense of our right to be a nation, a right we defend to the utmost degree.

Our defense will prompt a response from the U.S. groups that have some political awareness—groups that we trust—and from patriotic groups throughout Latin America. We must move at a continental level to check the absurdity and tragedy that a direct military aggression against Panama would mean.

I do not want to leave the impression that this is the only problem Panama has. We must remember that the aggression against Panama has already had huge costs. In 1988 alone, the Panamanian economy lost $2.1 billion. This means that the damage inflicted on Panama is greater than that inflicted by Hurricane Joan last year on Jamaica and Nicaragua together. Panama's economy has suffered huge losses, and the people have been enduring unfortunate conditions and pain. I hope Latin America does not wait until we are torn to pieces by bullets before it wakes up. We have been the victims of other weapons for the past 2 years.

[Velazquez] It seems the United States has run out of options against Panama and now, in the U.S. Government's way of thinking—and Cisneros has already said this—only the armed option is left. Is this true?

[Castro] This would be an attack not only against Panama's rights but against every country's right to self-determination. This would be an aggression to protect the image of U.S. pride and arrogance before all other Latin American countries. Bear in mind that this would be Panama's punishment for not submitting. It would therefore be a warning to other Latin American countries that if they disobey White House orders, they too will be punished. This is, therefore, a matter of interest to all of Latin America.

There are changes coming in Latin America. The United States has been trying to restructure its neocolonial relations with the Third World, especially with Latin America. The United States has changed from a country that exports investment, products, financing, and capital to one that collects profits.

But to carry out this restructuring, the United States needs governments that are docile and technocratic and that will in turn restructure other Latin American economies. Included in this effort is an important military goal: to rebuild military bases in Panama and the Caribbean so they can be used for rapid intervention in Latin American countries.

So far we have seen this as only a Panamanian problem because of our country's geographic position. This policy, however, is aimed squarely at all Latin Americans.

Argentina

Foreign Ministry Source on Contacts With UK

PY2607144289 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1310 GMT 26 Jul 89

[Text] Buenos Aires, 26 Jul (NA)—The Foreign Ministry considers that "it would be nice to receive" an official British "definition before September" regarding President Carlos Menem's initiative to renew bilateral diplomatic relations, which were interrupted in 1982, on the basis of a formal declaration of a cessation of hostilities in exchange for the lifting of the military exclusion zone that surrounds the Malvinas Islands, according to a high ranking Foreign Ministry source.

The source consulted by NOTICIAS ARGENTINAS admitted that within the next few hours Foreign Minister Domingo Cavallo will send a telegram of congratulations to the head of the Foreign Office [two preceeding words in English] (the British Foreign Ministry), John Major, thus reciprocating the gesture made by outgoing Minister Geoffrey Howe, when the Cordoba economist assumed his duties on 8 July 1989.

Yesterday during a farewell luncheon for Turkish Ambassador Gunduz Tuncbilek, Cavallo reiterated the Argentine initiative of resuming diplomatic links following a series of gestures of confidence that includes placing the topic of the sovereignty of the islands "under the protection of an umbrella."

Asked about the article that was published yesterday in the newspaper CLARIN, which indicated that an envoy had taken a diplomatic proposal for the Malvinas negotiations to Columb John Sharkey, [name as received] the new British ambassador to Uruguay, the source admitted that "there could have been an initiative" of that type, but "it did not have either Menem's or Cavallo's approval, nor was it an official proposal."

The source explained that San Martin Palace's intention is to first re-establish diplomatic relations, then perhaps create work commissions to deal with the Malvinas problem, economic and financial relations, and the fishing situation in the South Atlantic.

Answering a question, the source stated that no decision has been made on the choice of diplomats to eventually contact the British in a third country, like the contact in 1984 in Berne, Switzerland, which did not have any positive results, but he did say that "they must have a profound knowledge of the topic and of Menem's and Cavallo's position on the issue."

Moreover, these working ideas can only be confirmed when London gives "an official answer" to the recent statement by Menem on the Malvinas, because so far there have only been unofficial reactions by the British Government.

Among other points, he explained, it would be best to define the situation before September, because at that time Argentina must decide whether it will again submit a draft resolution on the Malvinas to the United Nations, as it has done without interruption since 1982, something that could bog down the current possibilities.

After clarifying that these informal contacts, that began after 8 July, "are all very well," the source emphasized that taking into account that the Peronist government has only just [words indistinct].

He stressed that, because they represent Argentine and British interests, Brazil and Switzerland are the "natural channels" for these informal exchanges, but he stressed that due to the clout of the United States, "it would be an important factor" in eventual negotiations.

He revealed that during last week's visit to Washington, Cavallo met with U.S. Secretary of State James Baker III, in the company of their aides, for 1 hour, then they met alone for 20 minutes.

In the latter meeting Baker told Cavallo that "the U.S. Government will give its full support to achieve a normalization of relations between the two countries."

The high-ranking source made it clear that Cavallo only informed Baker about the problem of the foreign debt and that "a country with Argentina's potential cannot have a critical external front such as the one that it is currently suffering." He thus refuted the reports that indicate that the foreign minister had "negotiated" this matter with the U.S. Government, something that should be handled by the economy minister and the Central Bank.

Finally, the source emphasized the "very good reception the U.S. Government gave to Cavallo," because in addition to meeting with Baker, he also met with Treasury Secretary Nicholas Brady, Vice President Dan Quayle, and Congressmen, among others.

Interior Minister Discusses Ultraleft Activists

PY2607185089 Buenos Aires Domestic Service in Spanish 1600 GMT 26 Jul 89

[Text] Interior Minister Eduardo Bauza announced this morning that there are ultraleft activists who are exploiting the misery of some Argentines. He said: We are implementing a number of plans to prevent violence.

He said that a precautionary measure would be to take foodstuffs and medical assistance to those poor people. The minister noted that the activists discovered by the Interior Ministry belong to the ultraleft, and that they are operating in some districts in Greater Buenos Aires such as La Matanza, Moron, and Lomas de Zamora Districts, as well as in some cities in the interior of the country, like Rosario and Cordoba.

Economic Emergency Bill Submitted to Senate

PY2507234689 Buenos Aires TELAM in Spanish 1025 GMT 25 Jul 89

[Text] Buenos Aires, 25 Jul (TELAM)—The economic emergency bill submitted to the Senate yesterday suspends industrial and mining promotion policies and national treasury subsidies. It provides new rules for tax and foreign investments, and for Central Bank operations. It also authorizes the government to import merchandise in order to guarantee supplies.

The bill on tax and economic reforms has 87 articles, included in 24 chapters. It eliminates recommendations to "buy national products," although it recommends preference for local industry and proposes an emergency budget and tax procedures program, as well as the sale of unnecessary assets. The bill also establishes penalties for tax and social security violations.

The bill, called Message 359, which was signed by President Carlos Menem and all the ministers of his cabinet, was submitted last night to the Senate, after confusing reports about whether the bill would be sent to the national Congress.

In one of its chapters, the bill suspends for 180 days "as a general principle" the subsidies affecting national treasury resources, central bank accounts, and the finances of public enterprises, especially when those public enterprises are affected by differential rates and prices.

The bill also creates an institute to guarantee deposits and to use banking assets "to cope with the liquidation of financial organizations." It forces the central bank to publish its balance on a weekly basis.

To justify the suspension of the industrial promotion, the bill cites a "state emergency." The bill excludes those who present "reasonable arguments" for continuing to receive those benefits.

In another chapter, the bill amends the Central Bank's organization charter. A commission of officials and congressmen is created to issue those amendments within 60 days. Those amendments should include some guidelines for reduction in, or exemptions from, the IVA [Value Added Tax] for raw materials and sales of consumers' goods, and guidelines for tax exemptions on profits from net worth and assets.

The bill also guarantees equal treatment for national and foreign capital invested in productive activities, and it authorizes the Executive Branch to establish the necessary exchange rules to "guarantee the repatriation of profits of foreign investors."

It also reforms the internal revenues system. Fifty percent of those taxes will be channeled to social security, while 10 percent will be distributed to provincial and municipal jurisdiction for their social security needs.

The tax reforms affect the tax on sale of liquid fuels, and modifies the rules on royalties paid on petroleum and gas. These rules will from now on take as reference the current sales prices in the local market.

In another chapter the bill establishes guidelines and deadlines for the payment and compensation of credits and debts of private parties to the national state, including the public sector.

The bill proposes restructuring domestic public debt and authorizes the national government to "issue the necessary rules to strengthen the functioning of the capital market."

Regarding the public sector, which includes the legislative and judicial branches, the bill establishes that they will not be able to hire or designate personnel for 180 days, and "establishes" that salaries paid to those employees be no longer indexed "to coefficients" or "percentages."

Regarding trade and supply, the bill authorizes the national government to allow "imports of those products whose prices exceed reasonable levels or which do not exist in sufficient quantity to meet the demands of the domestic market."

Other chapters refer to the improvement of the social projects, and "the efficiency and effectiveness" of loans and commitments by the "nonfinancial" national self-managed organizations whose functions directly or indirectly affect commercial or industrial activities.

The law also establishes a system to settle delinquent tax payments, based on guidelines established by the National Tax Board. It proposes the sale of state assets that "are not necessary" for the fulfillment of the various functions.

One of the chapters refers to punishments for violating financial laws, under a system that establishes a minimum of 2 months and a maximum of 8 years imprisonment.

Those involved in tax evasion through "deceitful statements" will be punished with imprisonment and charges will be filed against those involved in administrative corruption.

Military Household Chief Antonietti Installed

PY2607152889 Buenos Aires TELAM in Spanish 1342 GMT 26 Jul 89

[Excerpt] Buenos Aires, 26 Jul (TELAM)—During a ceremony held at the White Hall of the Government Palace, President Carlos Saul Menem today installed the new Chief of the Military Household of the Presidency, [Air Force] Brigadier Andres Arnaldo Antonietti. [passage omitted]

Labor Organization Criticizes Pay Decree

PY2607234889 Buenos Aires BUENOS AIRES HERALD in English 26 Jul 89 p 11

[Excerpt] (NA-DYN)—The General Labour Confederation (CGT) yesterday clashed with the Peronist Government for the first time by openly criticizing its decision to deduct 75 percent of last week's pay advance to state workers from July paycheques.

The CGT regarded this decision "unjust and untimely" and anticipated its opposition to any similar move affecting private workers.

Labour Undersecretary Roberto Digon was also ruffled: "This is a very personal opinion but I believe deducting 75 percent of a sum granted only a few days ago, in some cases not even been paid yet, is unfair," he said. [sentence as published]

Late yesterday afternoon Labour Minister Jorge Triaca admitted that the government could review the decree to deduct 75 percent of the advance in July and the other 25 percent next month.

"We will try to improve" the decree, he said. "We will hold talks with our colleagues from the public administration and from state companies and see what solutions we come up with."

Speaking to reporters in Government House after meeting his counterparts from the Interior, Economy and Public Works ministries, Triaca conceded that the move to dock most of the advance off July's state payrolls had met strong union opposition.

Meanwhile the government's final decision regarding private workers remained unclear. There were rumours that the advance could be split into two 50 percent deductions this month and next, and City Mayor Carlos Grosso fuelled the controversy last night by claiming this method would apply to state workers.

Earlier yesterday, both Triaca and Economy Minister Nestor Rapanelli had anticipated that the advance of up to 30,000 australs would be deducted in July and August in the public as well as private sectors. "We will try to be fair," said Triaca, since "both state and private employees share equal responsibility" for lowering consumption levels and stopping inflation.

The government originally planned to deduct half the advance in August and half in October but was forced to go back on this in view of the lack of available Treasury funds. [passage omitted]

First Off-Shore Oilfield Begins Production

PY2607183289 Madrid EFE in Spanish 1714 GMT 24 Jul 89

[Text] Paris, 24 Jul (EFE)—The French petroleum company TOTAL announced today in Paris that its subsidiary, the TOTAL Austral Company, has begun production at the "Hidra" oilfield. This is the first "off-shore" [preceding word in English] oilfield in Argentina.

The "Hidra" oilfield is located in the southern offshore basin, 13 km off Tierra del Fuego. It currently produces 4,000 barrels of crude oil daily but it is scheduled to yield 27,000 barrels daily by early next year.

TOTAL Austral is the operating company. It holds 37.5 percent of the exploitation interests, just like the German Deminex Company, while the Argentine Bridas Company holds 25 percent.

These companies are operating under an exploitation contract signed with the Argentine state-owned enterprise Government Oil Deposits (YPF).

The "Hidra" oilfield, the world's southernmost oilfield, involves two unmanned platforms from which the crude oil—which is being extracted from a depth of 25 to 40 meters—is being pumped to tanks in Rio Cullen.

Embalse Power Plant To Shut Down for Maintenance

PY2607125689 Buenos Aires TELAM in Spanish 1941 GMT 25 Jul 89

[Text] Cordoba, 25 Jul (TELAM)—According to an announcement today by Carlos Haedo, the chief of public relations of the Embalse power plant, the plant will shut down for a period of 5 to 6 weeks for "inspection and maintenance." The measure will worsen the energy shortage situation in the national power grid.

Haedo told reporters today that the plant—located 110 km south of this city—will shut down on 29 July. Haedo said that the cobalt bars will be extracted during the time the plant is idle.

Haedo denied publications that reported that the plant was "out of service." He emphasized that the stoppage was previously planned "to make possible the inspection and maintenance of the plant's facilities."

Haedo said that the plant will stop providing energy to the national grid (SIM) as of 29 July. Haedo recalled that the plant produces 648 megavolts capacity, which represents 5 percent of the overall installed capacity.

At a time when the national grid is operating at maximum capacity, this 5 percent reduction will mean a reactivation of the energy crisis which has burdened the nation with electricity cuts since December 1988.

Bolivia

Menem, Sarney, Sanguinetti To Attend Inauguration

PY2507122589 Madrid EFE in Spanish 0156 GMT 25 Jul 89

[Text] La Paz, 24 Jul (EFE)—Bolivian Foreign Minister Valentin Abecia today reported that the Argentine President Carlos Menem, Brazilian President Jose Sarney, and Uruguayan President Julio Maria Sanguinetti will attend the inauguration of the new Bolivian president on 6 August.

Abecia stated that these three presidents have already confirmed their presence at the ceremony marking the transfer of power of the new Bolivian Government, and stressed the possibility that the presidents of two other neighboring countries may come.

Nevertheless, he said that the Bolivian Foreign Ministry will not prepare a formal list of guests to be invited until the name of the president-elect is officially announced, regardless of the fact that we are only 12 days from the inauguration.

Abecia stated that it is important that the new president has the opportunity to approve the list. Everyone is expecting Congress to solve this problem regarding the designation of the president.

The Bolivian Congress will begin its sessions on 3 August. It will have to choose from among three candidates: Gonzalo Sanchez de Lozada, of the Nationalist Revolutionary Movement; Hugo Banzer Suarez, of the Nationalist Democratic Action; and Jaime Paz Zamora, of the Movement of the Revolutionary Left.

None of these candidates obtained the necessary votes at the 7 July elections, that is, 50 percent plus one, with which they could directly be elected president. For this reason, according to the Constitution, a "second round of votings in Congress" must take place.

Meanwhile, leaders of these three political parties are engaged in intensive negotiations among themselves and with members of the minority groups in Congress, such as the United Left Front and the Conscience of the Fatherland Party, to reach an agreement that will facilitate the election of their respective candidates.

Brazil

President Sarney on Economy, Other Issues

PY2507132689 Sao Paulo Rede Bandeirantes Television in Portuguese 0030 GMT 25 Jul 89

["Exclusive" interview with President Jose Sarney by Bandeirantes journalists Marilia Gabriela, Fernando Mitre, Jose Augusto Ribeiro, and Jose Paulo de Andrade at the Bandeirantes studios in Brasilia on 23 July—recorded]

[Text] [Gabriela] This program was recorded at the Bandeirantes studios in Brasilia and is somehow related to the first presidential candidate debate promoted by Rede Bandeirantes a week ago. Our guest today is President Sarney, who will be interviewed by the same team who participated in last week's debate. They are: Fernando Mitre, TV Bandeirantes journalism supervisor; Jose Augusto Ribeiro, Bandeirantes political analyst; and Jose Paulo de Andrade, chief of Radio Bandeirantes' journalism department. This program will follow a pre-established rule: President Sarney is willing to answer any question on any subject related to his government.

The first question I would like to ask you, Mr President, has to do with your popularity. During the debate last Monday, you were attacked by some of the presidential candidates. It is also true, Mr President, that those criticisms stemmed from the unpopularity of your government. After having reached an all-time high popularity rating, you are today the most unpopular president. Why do you think this happened? Why have you had such a low popularity rating during the last few months of your government?
[Sarney] I believe that these are typical fluctuations in times of crisis. I had a very high popularity rating. According to your data, my popularity rating is now very low. I believe I had the highest popularity rating; you believe I had the lowest.

The other day I was asked if I was the president whose government had the highest inflation ever in Brazil. I said: I am the president whose government has had the lowest inflation rate, even lower than zero. This is really a problem that comes up in times of crisis. I am now assuming responsibility for the harsh measures I have to take as president of the Republic at this difficult time. The Brazilian State is undergoing a major crisis. This is the main cause of everything that is happening in Brazil. This is not a crisis of government. The government is often blamed by those who overlook that this is a crisis of the state.

We should also not overlook the fact because of this great popularity—incidentally, Mitre told me the other day that he saw how I was welcomed in Barbacena during the Cruzado Plan—politicians withdrew their support from their president. It has been impossible to govern—as I

was forced to govern these years—without the support of Congress, without the support of political parties, without the support of business sectors, and without the support of the press...

[Gabriela, interrupting] Who supports you today, Mr President? Who likes you?

[Sarney] The institutional force stemming from the presidential office, the law. This is significant for Brazil because we now have a president who relies on the institutions; that is, the laws. This is the basis of my support. My government is also based on the achievements of promoting freedom in this country and the atmosphere of democracy we are enjoying. This is our great institutional strength. I am the president who vetoed the largest number of bills in Brazil: 296 bills. I have been responsible for taking unpopular measures, shock measures, measures detrimental to sectors of society, to fight the crisis. Obviously, I must take these measures.

[Mitre] Mr President, there are some government actions that are unpopular in principle. For instance, amid the crisis, amid the criticism against the government, you headed a large delegation to Paris. Would you say that such a large delegation, so many people going to Paris, was in the best interests of the Brazilian people? What guidelines were used in forming the delegation, and why didn't anyone foresee the obvious negative reaction that this trip would provoke?

[Sarney] In the first place, had I not gone to Paris the newspaper headlines would have read: Without prestige, President Sarney was not invited to attend the North-South dialogue of presidents in Paris. Without prestige, Brazil no longer has access to meetings among developed and developing countries. We would have received all kinds of criticism. I am a politician. I know that in an election year anything can be exaggerated for electoral purposes. Now, that happend in connection with the Paris trip? The delegation you mentioned never existed... It is simply not true. The media, as Revel said in his book, is more powerful than the state. It can fabricate facts. There were not 150 people. There was an entourage that was formed in keeping with procedures established for the President of the Republic. I did not create these procedures; they were created by the laws and regulations. No president of a great country—or of a small country—can travel abroad without security agents, without newsmen, without a medical team, without advisers. This would be impossible. The president of the Republic cannot stand in line to pick up his luggage in an airport, although I would have preferred to be in this other situation.

I would like to say the following: This trip was the most important trip we had to make this year. Why? Because we have always advocated North-South talks between developed and developing countries.

At the Punta del Este summit we signed a document requesting these talks. We asked [Venezuelan] President Perez to go to the United States and to Europe with this petition. We need these talks because the world cannot remain as devided as it is.

[Gabriela] But isn't the world still divided?

[Sarney] Let's continue, Marilia. What happened? I arranged with President Alfonsin and President Sanguinetti that we should attend the talks together to demonstrate Latin American unity at a summit that was taking place in France, during the French Revolution bicentennial. It was not for the ceremonies.

President Mitterrand had a chance to focus this meeting as a meeting between presidents of developed and developing countries. The whole occasion was focused on this point.

I attended three ceremonies in Paris: the military parade on 14 July, which takes place every year in France on the national holiday; the reading in Trocadero Square of the declaration on the rights of man—fundamental document in the history of mankind that moves all peoples when it is read, and I listened to it in all languages; and the dedication of the Bastille Theatre.

It was no party. The rest of the time we presidents remained together. There were 35 presidents from developed and developing countries. We spent 2 days discussing world and bilateral problems over lunches and dinners.

I had to prepare myself for this trip, just as I do for every trip. No one must think that this was a tourism trip. When a president travels, it is a work trip. Before traveling, one must study many documents, things must be studied subject by subject. I cannot arrive before a president without knowing what subjects to discuss.

[Ribeiro, interrupting] But Mr President, the criticism was not aimed at the president of the Republic, but at part of your entourage.

[Sarney] During the 2 days in which meetings were held, when I was at the table with all the presidents—not separate—President Mitterrand twice asked me to sit at his small table with President Bush. That indicates Brazil's importance. I think that this country missed that point.

I do not understand how this country cannot understand the meaning of international policy, a policy to which I have paid extraordinary attention. I inaugurated the policy of president diplomacy. We took the country out of isolation. For the past 20 years Brazil had been regarded as a despicable country. Today, the presence of the Brazilian president.... [changes thought] I can tell the Brazilian people that I have never failed to represent Brazil in its appropriate position at any meeting in which

I have participated as president of the Republic. I prepared myself for every trip. I discussed the problems that were brought up authoritatively and knowledgeably.

I once talked with President Gorbachev for 6 hours, but now people are worried about the fact that the president hired a Boeing. It is not possible for such a large country to allow its president to miss such an important international ceremony.

When this country is able to have an airplane for its president to attend any ceremony, it will be a great country. Is this possible?

[Ribeiro] But that was not the point of the criticism, Mr President. No one is questioning the importance of the talks with the other presidents.

[Sarney] No, that is not right. The criticism claimed that it was an unnecessary trip. It was said that the president went to attend commemorations.

[Gabriela] The criticism was not that specific.

[Sarney] I will tell you something else. A reporter in Paris interviewed me about the letter I wrote to President Mitterrand, a letter that was published in every French newspaper, in Europe, and in the United States. FORTUNE magazine has published an interview with me on the subject. Nothing was said about it here. And do you know what the reply was to the interest shown by the press in Paris? It was: We do not want anything serious, we only want prequisites.

I want to discuss this. The government did not pay for anyone's trip to Paris except for those necessary for security and for the support of the president of the Republic on a very important trip.

[Mitre] President, does this mean that next Wednesday you will receive the court server and accept the summons for that popular action that is taking place around here?

[Sarney] Of course. I have never shown disrespect for justice. Never. I will receive, I am.... [changes thought] We are living in a democratic system. The president has not been a man who has only taught democracy; he has practiced democracy.

I will receive the summons just as any ordinary citizen. I believe, I consider that criticism an asset of my government, of the liberty we established.

We are living a moment in Brazilian history. I consider that (?not only) the president of the Republic...

[Mitre, interrupting] However, when you arrived in Paris you said that Brazil was in quarantine. In other words, this remark sounded a bit strange for a man who arrived in Paris to make high-level contacts with great statesmen. What did you mean by representing a country in quarantine?

[Sarney] No. Be careful. We are not in quarantine. It is the international banks that are in quarantine. It is the international organizations and others who are in quarantine. They think that a country with an outgoing administration cannot be treated like a country with an incoming administration.

Nevertheless, I heard President Salinas saying yesterday that the international quarantine being implemented involved not only countries with outgoing administrations but also the countries with incoming administrations. He was complaining about the quarantine in connection with Mexico.

In other words, this is the type of quarantine I was actually talking about: the insensitivity that we see in the rich countries, in the international organizations, regarding the difficulties of the poorer countries.

[Gabriela] Excuse me, Mr President. We will take a break here. In the next segment, Mr President, we will talk about an issue that involves the entire nation, the hottest issue, which is of course, salaries.

[Gabriela] Mr President, why can't the Brazilian worker make ends meet with his salary? Why is it that the Brazilian salaries are so low? The people believe that the Sarney government is to be blamed for it.

[Sarney] No, that's not the only problem. The Sarney government is to be blamed for everything. You know that the Sarney government is responsible for everything. That simplistic formula of escapism has been adopted in the country. This means that the solution is to say no, Sarney is to be blame for it. In my program, By The Radio, the other day I said: My godson's father, Brinquedo, who is a taxi driver, is very worried about me. Hey, godfather, he said I should lend you a weapon. Don't you carry a weapon? He also told me this: I went to get an injection and the fellow charged me 50 cruzados. Next day I went to get the same injection and he charged me 100 cruzados. I asked him why? The fellow said that Sarney is the culprit. What did I do? I slapped him on the face and told him that he was robbing me and blaming it on Sarney.

But before I answer the question on salary, I would like to go back to the trip to Paris. I admit that you question the validity of the trip and that you say that I, as President of the nation, should explain the reasons, as I am doing now, why I traveled to Paris. What is not true is the way some of the media referred to a mission of that nature. I believe that the criticism made by some sectors of the press on behalf of the Brazilian taxpayers is extremely insincere because those sectors cannot speak on behalf of the taxpayers.

[Gabriela] Which sectors, Mr President?

[Sarney] The sector of publications that receive fiscal incentives, that do not pay import tax...

[Gabriela, interrupting] Would you name those publications?
[Sarney] I don't want to give names, because I am not here to bring charges against anybody. I want to say that they cannot speak on behalf of the taxpayers because they receive money from the taxpayers, money that is not spent on the President's visit to Paris to represent Brazil, but is spent on making their balance sheets the best in their history. They do not pay taxes on the import of their high-quality paper; they do not pay taxes on the import of paper for these industries, say to print phone books. Meanwhile others are paying taxes in Brazil. The law determines that a person dying from cancer must pay taxes. If this person imports food or medicines, this person must pay 20 percent when there is no similar food or medicine manufactured in the country, and 40 percent when there is something similar made in Brazil.

However, the Constitution, this Constitution that I have here, grants fiscal immunity to paper imports, which pay no taxes of any kind. More yet, they also have approved fiscal incentives. Those beneficiaries of government munificence, who have been chosen as maharajas by the people, do not have the right to speak on the taxpayers' behalf. They receive money from the taxpayers; they receive money from the taxpayers who should demand to know what is being done with their money in that sector.

So, I believe that this insincerity must also be discussed; it must be known why these privileges are not brought up for discussion before the nation. Only some privileges are being discussed, only some minor points. I believe that the presidential candidates should turn their attention to other things, such as the privileges of press maharajas who are perhaps more revered than others.

[De Andrade] Mr President, what is it that you are trying to say?
[Sarney] I want to say that the Constitution, which brought about a relative revolution regarding tax exemptions, still contains exemptions that must be dicussed to determine whether they are really necessary.

[De Andrade] But wasn't that discussed by the Constituent Assembly? Are you saying that press freedom should then be tied to tax exemptions? This is it?
[Sarney] No, absolutely no. I don't want to say that. I want to say that nobody defends press freedom more than I. That has nothing to do with press freedom.

[De Andrade] But sir, you are putting a condition there.
[Sarney] What condition?

[De Andrade] The condition that the tax exemptions are for those great...

[Sarney, interrupting] But is that essential for freedom of the press? If it is, let us prove that it is. Do you believe that the high quality paper is necessary for freedom of the press?

[De Andrade] Now, if it were favorable to you?
[Sarney] What do you mean favorable?

[De Andrade] I mean that if comments were favorable, you would not criticize the press.
[Sarney] So far, I have never brought any charges against any reporter. I have never wanted to silence any reporter. I have never used any instrument of power against anybody. No one realizes more than I the need for freedom of the press and support for that freedom. Now, regarding distortions in the press, this is something that neither reporters nor press owners want.

[De Andrade] Is that lack of communication your government's fault? For example, the number of people in your delegation to Paris was hidden from the press. The press did not have access to the names or what their activities were going to be. Don't you believe that there was lack of communication?
[Sarney] The delegation was made up of 15 people; this was published in the official gazette. The support delegation in charge of security and communications stayed in the hotel in three shifts, because when we travel we have to have a permanent open channel. The president, wherever he goes, must have that support day and night. Obviously, if we publish the names of the people involved in security and their activities, then security is no longer security. We have to pay for that expense.

The other day a bus entered the palace. What happened then? The security services were blamed for it. It was said that security failed. Furthermore, it was said that security is not what it used to be, and that security reflects the government's lack of administration. That is what happened. I have never seen people in Brazil so angery, pounding the table. Everybody wants the president to be more energetic. They want him to act in this or that manner.

[Gabriela] I would like to know if you think this Paris case is closed, so that we can talk about salaries.
[Sarney] Regarding salaries: If you ask me if people in Brazil really earn very little, I would say that I agree. I believe that salaries in Brazil are very low. We have something like two countries here. We have a country of 60 million people who enjoy the European standard of living, and we have another country with the standard of living of Chad, Africa, with 80 million people. This is the great national contradiction.

If I make an evaluation of real salaries here in a chart from the IPEA [Applied Economic-Social Research Institute], we can see the permanent gains in real salaries, but they are not the level of salaries everybody needs. The government is making an effort with the economy. In our evaluation, we can see that at one time we were able to balance inflation with the purchasing power of salaries. I was able to recover the losses I found. I remember that Tancredo Neves used to say that he was going to recover the losses in 4 years.

In July 1986, the loss of purchasing power had been balanced and the salaries reached their highest level. We can see here that the salaries recovered their purchasing power during this period.

I really believe that salaries in Brazil are low. But the government has done all it can to change this situation. When I came to power, salaries were readjusted only twice a year, despite the high inflation rate. When I was installed, the workers were fighting to make sure that their salaries would be readjusted every 6 months. We implemented the monthly salary readjustment policy. We did that to defend the interests of workers, to prevent their salaries from losing their purchasing power.

[Ribeiro] Mr President, despite this policy, purchasing power of salaries is lower than the inflation rate. More and more, the people think that this imbalance is due to the servicing of the foreign debt. This feeling was made very clear in the talk we held on Monday [referring to the debate held by the presidential candidates on Monday [17 July].

I would like you to tell me whether Brazilians who earn a minimum wage can have any hope of being able to feed their children and support their families while the servicing of our foreign debt continues to drain our national wealth.

I do not know exactly how much money has been sent abroad during your term in office to pay for our foreign debt—figures are always changing—but we are all convinced that the more Brazil pays on its debt, the worse life becomes for the Brazilian people.

[Sarney] Yes, we must divide the nation into two different countries: one that has a European standard of living and complains and makes its voice heard, and another that has one of the lowest standards of living in the world.

This is why inflation is unfair. Of the three functions of money, only the lowest strata of society still have to struggle with the reduced purchasing power of money. [sentence as heard] Only the lowest strata of society have the problem of seeing their money swiftly lose valve as a result of inflation.

I agree with you. The Brazilian inflation problem is extremely serious and unfair. There is nothing more unfair than inflation. Inflation is extremely unfair because it harms the poorest members of society, the most helpless ones.

As someone who has lived with this problem for 4 years, who has put great effort into solving this problem, who has been trying to find the correct solution to this problem, who has been struggling to see this problem solved, I can tell you what it is like to try to defeat inflation.

When I came to power, I was determined to fight the problem; I had the courage to face the problem. The Cruzado Plan was implemented. I could not deny the economists who supported the need to fight that status quo the right to have their plan implemented. Therefore, I supported the Cruzado Plan. In the meeting we held at the Planalto Palace to approve the Cruzado Plan, I had the opportunity to say: I know that I am sticking my neck out, because the plan is extremely dangerous. We must count on support.

We implemented the Cruzado Plan. Later on, I supported the Bresser Plan and I supported the Summer Plan.

After all these attempts, I can now assure you that inflation cannot be defeated in Brazil, or anywhere else in the world, by economists.

[Mitre] But, Mr President...
[Sarney, interrupting] Inflation can only be defeated by politicians with the support of the entire society.

[Mitre] But, Mr President...
[Sarney, interrupting] Because only the politicians, supported by society, can adopt the measures necessary to ensure the success of a plan. We could not adopt these measures because a situation cannot be created...

[Gabriela, interrupting] But Brazilian society has been supporting you. Don't you agree that Brazilian society has been supporting you?
[Sarney] I agree that we have not counted on any type of support during the implementation of any of these plans...

[Mitre, interrupting] During the Cruzado Plan you had the support of the entire nation...
[Sarney, interrupting] I had the support of...

[Mitre, interrupting], The government did not fulfill its part. The government did not cut down on its expenses, did not fight the public deficit. In the implementation of the second plan it failed to do so, and it again failed to do so in the third plan.

[Ribeiro] And no elections were held during those years...

[Mitre, interrupting] Exactly, no elections were held during those years. Therefore, the government's intention of ensuring the success of these plans was not reflected in its actions, in its decision to cut public expenditure.
[Sarney] Here I want to say again that certain rumors, not based on the truth, are commonly spread in Brazil...

[Mitre, interrupting] In your speech announcing the Summer Plan you said: This time, the government will fulfill its part.

[Sarney] And the government did, the government fulfilled its part, it fullfilled all promises. The figures are here to prove me right. But some try to.... [changes thought] No one mentions the figures. From January to June, we had no deficit. We had a surplus...

[Ribeiro, interrupting] Yes, a 0.13 percent surplus.

[Sarney] We had a 574-million [currency not specified] surplus. We only spent what we collected. We have fulfilled our part. Do you know who failed to do so? Businessmen of the oligopolistic sectors who increased prices above the inflation rate percentage. We controlled the prices, we fought the public deficit. The level of the public deficit was maintained. Here is the chart showing the Brazilian public deficit curve: In 1982 it was 7.7. This year we are attempting to keep it at the 1 percent level and we tried to keep it at 2 percent last year. The works of the Constituent Assembly and the proclamation of the new Constitution increased the GDP by 3.5 percent.

[De Andrade] It is almost 7 percent now, right?

[Sarney] The deficit does not stand at approximately 7 percent of the GDP. We are struggling with a 3.5-percent deficit. Our target for 1990 was to have no deficit. We have enforced a very harsh fiscal adjustment policy, and this is why we have coped with the situations which he have confronted.

[Ribeiro] Mr President, if the government has done its share, then there must be someone who is profitting by inflation, because there is a large number of people who are losing. Who is profitting by inflation?

[Sarney] Ah! Who is profitting by inflation? Speculators. They are the ones who have always profitted by inflation. Inflation is now a profitable business, and not only for speculators. In fact, there are firms which have been created for the sole purpose of explaining inflation. They explain the method to end inflation and hyperinflation, and everyone pays for their service and for their indoctrination.

[Gabriela] Mr President, you have just said that you have concluded that the economic policy must be designed by politicians and not by technocrats. Does that mean that for the rest of your term you will no longer enforce the policy designed by minister Mailson da Nobrega, who is a technocrat?

[Sarney] I don't mean that. What I want to say is that the economists cannot solve the problem of inflation. This is a problem that must be solved by the combined action of politicians and society. Who solved the inflation problem in Great Britain? It was solved by the politicians, who united in order to solve it.

What has happened in Brazil? I have been the only one to resist. The only contribution by Congress is to make concessions and concessions. And I have had to impose vetoes and I have had to resist.

[Mitre] Mr President, what will you do for the rest of your term in office?

[Sarney] Until the end of my term.... [changes thought] Inflation in Brazil has grown in steps. I have not created inflation. In Brazil, inflation is a chronic problem. After World War II inflation grew in specific steps, depending on foreign factors. The inflation rate climbed a first step under the influence of the first oil crisis. A second step came with the second oil crisis. The international interest rate increase made the inflation rate climb another step.

When I assumed power, the annual inflation rate stood at 360 percent. Actually, it was rising. Why? Because we were still under the influence of an interest rate increase and because we were also under international restrictions, which had affected our participation at the world level. It must be noted that my government had to face strong international restrictions. The international organizations closed their doors to Brazil.

[De Andrade] Mr President, why did that happen?

[Sarney] When the interest rates were increased...

[De Andrade, interrupting] Wasn't that a major change in the economic policy? You suddenly began replacing one minister after another.

[Sarney] Nothing of the sort.

[De Andrade] I mean, hasn't that affected the credibility of the government?

[Sarney] Nothing of the sort. That was a worldwide phenomenon. The developed countries simply reached a very high level of prosperity and stopped making investments, thus leaving the developing and poor countries on their own. This happened not only in Brazil but all over Latin America. This crisis has affected the entire world, and this is a well-known fact; it's not a fabrication of my own.

[Gabriela] I would like to propose...

[Sarney, interrupting] I would like to add something else regarding remarks that have been made on the public servant sector. It has been said throughout Brazil that during my term we hired 150,000 employees. I have the SEPLAN [Planning Secretariat] figures here. When I assumed power in 1985, the central government and autonomous agencies had 596,681 employees. We now have 592,512 employees. This means that during this period we reduced the number of employees by 4,169. Additionally, at the very beginning we issued a decree that forbid any new hiring and ordered that any new personnel should be hired only for replacing outgoing personnel.

Despite all this, however, it has been said that I hired 150,000 employees. Every objection has been raised against me. What can I do?

[Gabriela] Can we take a break now? Mr President, I would like to suggest corruption as our next topic. Is that okay with you? [commercial break]

[Gabriela] Mr President, you have said, even on the Face-to-Face Program, that your government is not corrupt. In fact, some measures to fight corruption were taken this past week. You are at the end of your tenure, Mr President, and you have been in power for more than 4 years. So I ask: Why did you allow all that time for your government to be branded by the people as corrupt?
[Sarney] Marilia, this subject—I read in an article by Abreu Moreira—is a political legacy of the West as well as a political weapon. Moral and ethical motivations are not behind that criticism; rather, it's political motivation.

I want to say this: Since I took over the government, I have not known of any case, even those that were published in the press, in which I have not ordered investigations or measures taken. I therefore want to mention some figures that I requested from the Federal Police, figures referring to investigations we initiated. In 1985, we initiated 25 investigations; in 1986, 39; in 1987, 30; in 1988, 68; and in 1989, 40 investigations. This is the amount of investigations initiated since the beginning of my government.

Regarding finances under Central Bank control, I also want to say that we ordered measures to set 140 financial institutions on solid financial footing, and measures to ban the free disposal of the property of 597 individuals. Punishments were imposed in 1371 cases. I don't think any other government in this country has made such a great effort. Bear this in mind: I closed the COMIND [expansion unknown], the (?OXIDIAR), the Maisonave, the Brazilinvest, the Agrobank, the Commerce and Industry Bank of Sao Paulo, and Credito Real of Minas Gerais, Santa Catarina, Rio de Janeiro, Alagoas, Maranhao, Acre, Piuai, Ceara, Para, and Mato Grosso; I ordered investigations into the (Barra), and imprisoned its executives; I decreed preventive prison sentences on cases of tax evasion...

[Gabriela, interrupting] Mr President [passage indistinct].

[Gabriela] Could it be that the problem lies in the image? Suddenly, high-ranking government officials, under suspicion...
[Sarney, interrupting] [Words indistinct]

[Gabriela] Don't you think that those people under suspicion might have helped to improve your government's image by leaving your government?

[Mitre] Why don't you dismiss anybody?
[Sarney] I am the president who has dismissed [words indistinct]. I have made changes, closed down ministries, decentralized agencies. I have done all that. Now, I can't change the media, which creates unreal cases.

[Question indistinct]
[Sarney] Now, I cannot arrest anybody. I see a lot demagogery around. Can I order arrests? I can't. In the past the president had the power of arrest over administrative matters and tax evasion; he could even decree intervention in the states and municipalities in cases of corruption. The Constitution has now removed this power from the president. Today, someone who kills in Brazil is not arrested. Twice. I sent a bill against the Fleury Law to Congress. Killing, the worst crime that can be committed, that shocks us... [uncomplete sentence]. Very well, our Constitution forbids; it says that someone can only be arrested on orders from a judge. The investigations were sent to Court and the court must administer justice. [words indistinct]

[Ribeiro] It was in the newspaper headlines this week that the Federal Police are trying to capture two people involved in the Rio de Janeiro Stock Exchange scandal. Their preventive arrest was ordered by the Court. Now, I want to ask, Mr President, how could it be possible that the Central Bank president had no knowledge, not of what his son was doing, but of what was happening in a company he owns, regarding the stock exchange scandal?
[Sarney] You should ask this question to the businessmen who commit these abuses. The government has nothing to do with it, because the stock exchange is a private institution and is administered by businessmen. So ask this question of the businessmen of Brazil.

[Ribeiro] Then the way to ask this quesiton is: Did the Central Bank president betray the trust of the government?
[Sarney] The Central Bank president had no way to know what the Rio de Janeiro Stock Exchange was doing. He had no knowledge of the problems there. As soon as he did, he tendered his resignation and I accepted it.

[Mitre] Had he not tendered his resignation, would you, Sir, have dismissed him?
[Sarney] If he was not at fault, I could not punish him. A minister under suspicion must prove his innocence, in our the government. This is his personal problem. Once I am convinced that he is at fault, I will dismiss him. Now, by temperament, I am a man who hates to act unjustly. I do not commit industices.

[Gabriela] But doesn't this hurt your image, Mr President?
[Sarney] I prefer to hurt my image than to commit an injustice. I believe that I would be harming my conscience. I don't want to be prejudiced in my judgment.

[De Andrade] You are taking it too hard, Sir. By the way, this is a characteristic of people born under the Taurus sign. You are suffering today. I would ask you, why did you make an issue of remaining in office 5 years? What did you expect on your fifth year in office? Your prestige has really been hit during this last year of your office term.

[Sarney] Another rumor that made the rounds is that I am an ambitius man. What a distorsion of my image! I never entertained any ambition for power; I never wanted to be president of the nation; it was not one of my life's aspirations to be president. I had to administer this country under tragic circumstances. I received a tragic legacy; I had no support because I came from the party on the other side. Without support of any kind, I had to struggle alone. Don't you believe that I have no feelings. True, a president must have patience, and I have, but I have strong feelings about things. I am a sensitive man. Now, the pressures exerted on the president are extremely violent. Brazil has been in a turmoil for quite a long time. The other day, at the Cardiology Congress held here in Brasilia, I was invited to inaugurate the congress. I then said: I want to make a contribution to international cardiology. I wanted to talk about risk factors other than smoking. Stress. I want to talk about being the president of the nation. The pressures exerted are so strong that we should review what happened to my predecessors: Cafe Filho suffered two heart attacks; Getulio Vargas shot himself in the heart; Juscelino Kubitschek was despised when he left the office.

[Mitre] He suffered a heart attack that went unreported.
[Sarney] He suffered a heart attack that was not reported to the public. Costa e Silva had a brain stroke; Figueiredo had to undergo saphena bridge operation. [passage indistinct]

[Sarney] I wanted to complete my 5-year term of office. When I took power, Congress placed me in office for 6 years. Then I agreed to reduce my term to 5 years. Later everybody in Brazil was saying that I wanted to stay in office for another year. This is indeed something fantastic! Now, why is it that they believe that the 5-year term is an ideal tenure, not just for me, but all presidents of the country. We could not hold elections last year, and I said so on your program before. We would have run an institutional risk. How could we have held elections last year, when the Constitution was promulgated on 5 October. On 5 October we voted for the Constitution. I had to complete my 5-year term, but the country was more interested in elections rather than in its real problems. Everybody, instead of joining forces with us to overcome our problems, was only thinking of elections; first, of elections for mayors in the state capitals; then, of elections in the national security municipalities; later, of elections for senators and deputies. The interest then turned to the Constituent Assembly; later, to the election of mayors in interior cities; and, in the fifth year, to the election of the president of the nation. So, all that needed to be done in the country during the democratic transition to unite the efforts of society and to ignore the differences among political parties, was done under my administration. I had to administer this process under tension, suffering, and criticism. But since I am conscious that I have the historical duty to do for the country exactly what I am doing, my conscience is at peace. I am a well-meaning, austere man, who leads an almost monastic life. I am a simple man and the exercise of power has not changed my conduct in any way whatsoever. I have known praise and criticism, and so I know I am discharging my duty. I thought, and still think, that that was the way to consolidate the democratic transition. To consolidate the democratic transition, I had to give up one year of my original term. I did not ask for an extension of my term. You asked me the other day if democracy fills the stomcah.

[Mitre] And it seems that it doesn't indeed.
[Sarney] But I want to tell you that it does. The countries with the highest standards of living, with filled stomachs, are the democratic countries of the world.

[Gabriela] Argentina suffered...
[Sarney, interrupting] Democracy can fill the stomach. I said at the United Nations in 1985: The road to development is the road to democracy, because it is through democracy that, in the long term, the pressures of society are relieved. Then everyone in society has the right to ask for his share without fighting. This is what is happening in Brazil. I faced 8,000 strikes in the country, and don't know why at this time—it is a mystery—we are not on strike in an electoral year. Then I can say...

[Gabriela, interrupting] What do you mean by citing the number of strikes?
[Sarney] I want to say that many of those strikes were orchestrated, not legitimate.

[Unidentified reporter] Mr President, I want to know...
[Sarney, interrupting] They were not strikes to make legitimate labor demands. When the electoral interest delcined, the strikes disappeared.

[Mitre] That is also normal in a sense.
[Sarney] Yes, I believe that it is normal. I believe it is normal, but let's us agree that those 8,000 strikes, or 2,000 strikes against the Cruzado Plan, were sufficient to destroy the plan. And they succeeded in destroying the Cruzado Plan. Why? Because we were in an election year. This is what I have said here; everybody only sees other problems, not the problems the president has faced. But I prefer to be the man whom today everybody believes is responsible. It is better for people to say this than what the women who arrives home late, and fights with her husband, might say: Look, Sarney is responsible! [sentence as heard] [passage indistinct]

[De Andrade] Mr President, you have been badly advised. Your government is today penalizing a sector of Brazilians who have been suffering for some time: the retirees, whose June paychecks were for 81.4 cruzados instead of 120, as the paychecks of those earning the minimum salary. The Social Security Ministry will collect fees on 120 cruzados from the private enterprises, but will pay the retireees [Words indistinct].
[Sarney] The retirees have never been treated better...

[De Andrade, interrupting] [Question indistinct]

[Sarney] When I became president, the retirees had a discount on their retirement benefits for medical services. That time has to be recalled. I don't believe that a retiree who picks up his paycheck now will complain about a discount. We are now struggling and sacrificing to give retirees their full benefits. We have also given a 13th monthly salary to public servants.

The truth is that when we took office we said that pensions had to be adjusted by the same rate as the minimum salary, because pensioners were being cheated. The Constitution says that pensions have to be adjusted as the salary of any other public worker, and there is a fixed deadline for the adjustments to take effect. In this way, pensioners are actually gaining about 6 months, because the government has the obligation to adjust their pensions as it does for all other public workers. If we do not do this, we are violating the Constitution.

What happened before was that the minimum salary adjustment was applied to all salary scales. For instance, if a person earned 20 times the minimum salary, his adjustment was 20 times larger than the adjustment for that poor worker who had to survive on the minimum salary.

No one fought for better minimum salary levels more than I did. The minimum salary today is 30 percent larger in real terms than when I took office. This situation was shameful. We promised to reverse the situation, and I struggled hard to make changes.

[Mitre] Mr. President, the 5th year of your term is said to be marked by ineffectiveness. Other presidential candidates have said during debates on Rede Bandeirantes that nothing else can be expected from this government. Last week Minister Mailson da Nobrega said: Inflation is like a tiger and the tiger is killed by a shot in the head. I ask: If this governemnt is no longer willing to shoot inflation in the head, how are we going to deal with the high inflation rates until the new government takes over? Are we going to continue with a 30- or 35-percent monthly inflation rate, or do you expect it to increase?
[Sarney] No. We will continue with the same inflation rate which is the level we had in September 1987, with the same expectations that did not come true after we tried to implement the Summer Plan. We will not have hyperinflation.

First, we will not have a foreign exchange crisis, which is one of the factors that fuel hyperinflation. Second, we will not begin a recession. Third, our industry grew by 5.5 percent last month. The last time we had similar industrial growth was in 1987. Our foreign exchange reserves are at record levels. Last month our reserves stood at $2.2 billion. We will not have hyperinflation as long as we do not have a foreign exchange crisis or lose control of our public finances. Our public finances are under control, as shown by the figures I have just mentioned.

Many people are interested in talking about hyperinflation. New companies have been created to explain hyperinflation and to advise people how to protect themselves from hyperinflation. But we are setting aside one of our most important problems. We should talk about it.

[Gabriela] We now resume our program with the exclusive interview with President Sarney. The issue—one of the issues—to be discussed now concerns the presidential succession.

Mr President, you have often said that you do not have a candidate for this election. This week, however, one of your most loyal assistants and a friend of yours, Communications Minister Antonio Carlos Magalhaes, expressed support for one of your foes, presidential hopeful Collor de Melo. What does this mean? Does it mean that you will permit the government apparatus to work for a specific candidate?

First, I do not believe that Minister Magalhaes made such a remark. However, in no way will I participate in the succession process, because I believe I am serving the country. Long ago I decided—and this is a deep-rooted position—not to participate in the succession process. Why? Because the Brazilian tradition is that the president had a candidate, the president got involved in the presidential campaign, and then the president became a tool during the campaign. The president could even harm the institutions, because he distorted the right to vote.

I believe that, in a transition period like this, the president of the Republic must take the position I have taken.

My successor will and must find an entirely different country—one without the huge problems I had to face. Of course, my successor will enjoy political suport and will be in a position to negotiate political coalitions in order to draw up and implement a program of government.

[Mitre, interrupting] We could have a celebration [words indistinct]...
[Sarney, interrupting] Now then, in no way will the government ever participate in the succession process by supporting a candidate—not even the president.

[Gabriela] Even if your most loyal minister expresses support for another candidate?
[Sarney] Even so. I believe that any minister is free to support any candidate, but ministers will never use the government to benefit any candidate.

[Mitre] President, what about an early inauguration of the next president? Yesterday, this issue made headlines in the press. Today, it is also mentioned by some newspapers. This issue is developing. How do you view this possibility?

[Sarney] I believe that Brazil is building its democracy and its institutions. I am absolutely convinced that we have not just implemented a democratic transition. Over the past 5 years, we also managed to lay the foundation for a democratic society. As freedom promoted associations and organized pressure groups, and as people had the opportunity to express their convictions and defend their rights and legitimate interests, we began to shape a great democratic society.

The democratic institutions are based on two things in particular: the representativity and periodicity of the term of office and the alternation in office.

We have a fixed term of office. This is not my problem. This is a constitutional problem. In Brazil, if we have or do not have daily difficulties because we have a problem—that is, to reduce, increase, get, or decline a term of office—then we will obviously destroy the embryo of this democracy. [sentence as heard]

[De Andrade] Would you compare this to the Argentine situation, where President Alfonsin allowed an early inauguration?

[Sarney] No, I would not. President Alfonsin did not allow an early inauguration. He resigned his term of office.

[De Andrade] Correct. He resigned his term of office. Would you not view the same issue...

[Sarney, interrupting] I believe each country has its own problems. Each country has its own peculiarities. We will not make any comparisons.

[Gabriela] However, Mr President, unlike other countries—and this is strange—there is not a single candidate—of the many running—in Brazil today who would support you, as a continuation of your administration. Everyone is opposing you. How do you assess this?

[Sarney] Simply because I do not have any candidate. In the second place, I believe—it was Mitre or even yourself who told me this—votes were gained by criticizing the government.

[Mitre] Ah! That was at the debate, which seemed to be a race to find out who was President Sarney's main opponent.

[Sarney] You told me that at the debate, the presidential hopefuls said that they were under the impression [words indistinct] gain votes.

[Mitre] Perhaps this will be the case, Mr President.

[Sarney] Right. However, I would like to say this: the following question was posed in a survey, copies of which are right here: Would you vote for a candidate chosen by President Sarney? Twenty-four percent said yes. I find this rate to be fairly good, with all those candidates acting as critics. On the other hand, another question was posed in the survey: Would you quit voting for a candidate if President Sarney votes for that candidate? I believe about 70 percent said: No, I would still vote for the candidate.

Therefore, I believe that the people are much more intelligent than most persons think.

I was recently reading an interview with Herzog, a former Mexican finance minister and a very respected man. He said: We, economists, draw up programs and devise plans. Later, when the plans fail, we blame it on the implementation of the plans. Then he explains why. For one reason: We ignore the fact that the people do not know about economics.

I am also under the impression that many persons do not know that the people have an idea of their interests and of the political process.

[Ribeiro] Mr president, you claimed that it has become a national habit to blame the president for everything that happens in the country, even for the rains or for the lack of it. I would like to bring up again one topic: what responsibility do you, as president, have for the crisis at PETROBRAS [Brazilian Petroleum Corporation], the National Steel Company, and the Bank of Brazil?

[Sarney] Very well. You are raising a fundamental issue that has never been discussed before. We already lost one chance, and we are again losing a second chance. The latest Constituent Assembly should have discussed the problem posed by the Brazilian state: how it should be organized and structured to overcome contradictions and injustices that still prevail in our country. The Constituent Assembly failed to do this. Instead, it drafted a constitution that was focused only on social benefits and minor issues. In the annals of the latest Constituent Assembly, there is no record of a profound debate on the future of the country, a subject that was included in previous constituent assemblies.

Our greatest problem in Brazil today is a crisis of the state. Such a crisis usually consists of two stages: During the first stage, the crisis is blamed on individuals; the second stage is marked by violent criticism of the institutions and of the entire government. We are now going through the first stage.

There is a credibility crisis, not only involving the president and the federal government, but involving all other national sectors. There is also a credibility crisis involving the press, politicians, religion, and moral values. This is a national crisis. Why, then, is this happening? The Brazilian state used to be able to manage 57 percent of the public income. Thus it could organize PETROBRAS, the Rio Doce Valley Company, steel mills, and anything else. It could build roads and hydroelectric plants. Today the federal government's share of the public income has been reduced to 35 percent. During my government, 19 percent of our public income was transferred to state governments. By 1993, this

percentage will be increased to 25 percent. This means that our gross federal income accounts for 9.6 percent of the GDP. Of this 9.6 percent, we transferred 2.6 percent to the states. Interest payments on state domestic debts totaled 1 percent of the GDP. Our interest payments on our foreign debt totaled 1.4 percent of the GDP. Thus, our net public income was reduced to 4.6 percent of the GDP. The state allots 3.9 percent to salaries, and it can use only .7 percent of the GDP to cover all other expenditures—to fund roads, electricity, infrastructural facilities, state companies, PETROBRAS, and steel companies. This is the reason for the crisis. This is a crisis of the Brazilian state. We have to discuss how we can solve it, what type of federal government we can create. No magician can solve this problem if everyone continues to make profit at the same time, if everyone wants higher salaries, if everyone wants a larger piece of the cake. No one can work miracles if there is no income. What happens then? The state and its institutions are seriously discredited. The state is thus unable to serve all sectors of society. This is the stage of the crisis I had to endure during my administration. This is the cause of all our problems. We transferred 19 percent of the federal income to the states. We also have an institutional problem we have to resolve, that is, the Constitution, which has stripped the president of his powers. A president cannot formulate a policy today. Critics of the Constitution charged that the constituent delegates approved a parliamentary constitution that establishes a presidential system. That is not true. If that were the case, it would be possible to find a modus vivendi. In a parliamentary system, Congress is part of the government and bestows powers on the government, which can thus take actions. If Congress loses confidence in the government, it will fire it.

[De Andrade] What about the provisonal measures?
[Sarney] Let me complete the idea. The current Constitution establishes that Congress has executive powers, as though the executive functions could be divided. This was never done anywhere else in the world. There is no previous experience with this. A president and 596 people will be involved in an executive action. What was the Brazilian solution to this problem? The provisional measures. These are government actions. We initiate government actions that will be submitted to Congress. This procedure makes the state apparatus move even slower.

But what happened to Congress. Congress wanted to strengthen its powers but ended up by destroying those prerogatives that have been used to supervise the executive. These prerogatives disappeared and now Congress has to deal with issues on a day-to-day basis. This is why we have to implement so many temporary measures.

[Question indistinct]
[Sarney] That is the root of the crisis of the Brazilian state: The institutional problem. That is what has to be resolved. This is the problem candidates must discuss. We are speaking of a government crisis when we should be speaking of a state crisis. What is the government? The government exercises the state powers. If the state does not have any powers, the government cannot exercise them. The crisis then, is transferred to other levels.

[Mitre] Are you saying that the state is too large and does not have enough authority?
[Sarney] The state does not have the instruments to implement...

[Mitre, interrupting] One of the solutions then could be to reduce the state, but where do you begin to reduce the state? What can a president do? What could you have done to reduce the size of this giant state?
[Sarney] First, we have to choose the kind of state, the kind of federation, we want to have. Then we will have to establish the responsibilities of the municipalities, the estates, and the nation. We will have to set boundaries to the state power. We will have to decide if state companies should cover all areas. Today these companies are not capable of providing all the service they should and we have crises in companies such as Petrobras [Brazilian Petroleum Corporation] and the National Iron and Steel Company [CSN]. Where are we going to find the $800 million we need to cover the CSN deficit?

[Ribeiro] Petrobras has always been able to turn in a profit. It never depended on government financial aid. The CSN is different.
[Sarney] The first problem of Petrobras is that it is a monopoly. Second: Petrobras is a great patrimony of the Brazilian people. But we have to fulfill our commitment to fight inflation by not allowing prices to increase over the inflation rate. If we do not keep prices down people will soon say that the government is not fulfilling its commitments and that they have to increase their prices accordingly.

But people from the oligopolies that dominate a large part of the market do not respect our price increase ceilings. They call each other to warn about a future hyperinflation and decide to increase their prices by 4, 5, or 6 times more than is necessary to protect themselves from the newspaper news of an announced hyperinflation.

[Andrade] Mr President, what do you think of the suggestion that is being proposed by some candidates...
[Sarney continues] Some people say that we should increase the price of gasoline to help Petrobras. It is the easy way out. But if we do that we will be increasing the inflationary process. We would not be fulfilling our part of the bargain. We would be prejudicing Petrobras in the end. I will never allow this to happen. Never, during my government, will Petrobras change. We are almost reaching self-sufficiency. We worked out a gas supply program. The gas pipeline nearly reaches Sao Paulo. We built the Northeast gas pipeline. Petrobras will continue to have a great participation. The crisis at Petrobras is temporary. It is merely a cash crisis.

[Andrade] What do you think of the proposal made by some political parties to establish committees to work with the government to make the transition easier? Would you accept this type of cooperation?
[Sarney] I was the first to propose a pact. I have always thought that the best path for a democratic transition was the path of a social pact. I have struggled to reach such an agreement. Unfortunately I failed. I accept it as something fantastic. All modern democracies work on compromises. These democracies have been able to overcome many difficulties because of their social pacts.

[Marilia Gabriela] We will make another short station break at this point, but before that a short question: I see you, so passionate, so intent in solving the problems of the country, regrettably, you will leave everything half-done. Would you accept the nomination to the Presidency at another opportunity?
[Sarney] I will never again accept the nomination for any elected position.

[Gabriela] Mr President, I would like to talk to you now about our country. Brazilians were always considered to be optimistic people. We used to believe that God lives here. Brazilians are not optimistic any more, Mr President. Brazilians today live in hopelessness, dream of migrating to other countries, do not believe in the government, reject controversial projects like the North-South railway project and blame you for all that. What country will you bequeath to your successor in March?
[Sarney] In the first place, I believe your view, your analysis is out of keeping with our reality, Marilia. I have clearly ascertained that there are two Brazils: First, the nervous Brazil that is represented by the large cities, which are full of tension that is echoed by the media; and the other Brazil, which has confidence in its own forces, a Brazil of hope. The Brazil we will bequeath to our successor is a nation that increased its agricultural production by 40 percent in 4 years. No other country has achieved this feat. We produce 70 million tons of grain per year. Our country is today the third democracy in the world with more than 70 million voters. It is a country where the people enjoy more freedom than anywhere else in the world. This is a country where the president came here today before you to answer your questions. This is the country I will bequeath to my successor, a country where the president has not persecuted anyone. Your president never engaged in petty actions. I never tried to silence or to harass my opponents. I am the president who restored direct elections, who ended political or ideological discrimination in the country. Following my inauguration, I met with representatives of every political or ideological sector. Early in my administration, I had Giocondo Dias [general secretary of the Communist Party of Brazil] over a dinner at the Government Palace. I still regret the death of Dias, who was a prominent Brazilian citizen. I also invited Joao Amazonas. Thus, I put an end to discrimination for ideological reasons. I am a president who restored full freedom in the country and who promoted four wholly democratic elections.

I am a president who managed to get the people organized. Proof of this are the neighborhood committees that are implementing highly beneficial social programs, and the micro-enterprises that were created throughout the nation. This is the Brazil we will bequeath to our successor, a country that has today a high export rate in the world. Although some people claim that Brazil did not grow, it has enjoyed the highest growth rate in the past 4 years in Latin America. How was Brazil stagnated? Our economy grew by an average of 4.3 percent. In 2 years, we grew by more than 8 percent.

Thus, what we have is a political problem. This problem must be resolved. The support of politicians is required to resolve this problem. I must say that the worst problem I had is that I was abandoned by my political supporters at difficult times. They abandoned me thinking that they were abandoning the president, but they were in fact abandoning the country. They thus caused us to have the difficulties we are facing today. This was, and continues to be, my worst problem. As I said earlier, economists cannot solve this problem. There are no magical solutions. It will be the politicians who will resolve it when they achieve a pact for unity with society.

Thus, the politician who claims that he will resolve the Brazilian national problem without promoting national unity will achieve nothing. He will just deceive the people by using demagogical slogans in his campaign.

We have to formulate a proposal, we have to decide how we can solve the problems arising from the crisis of the Brazilian state. To this end, we must be united. Without the unity of all Brazilians we will not resolve our political problems. I resolved the problem of our democratic institutions. I had the patience to do it.

Guided by my spirit as a public servant, I accepted many things for the sake of concluding the democratic transition. The future president will have to be capable of uniting all Brazilians to implement the reforms that are necessary and which cannot be achieved without unity and without the support of society. This is the final message I will convey here based on my experience as president of the Republic.

[Gabriela] Thank you for the interview, Mr President. Good night.

Finance Ministry Official on Talks With IMF

PY2707014089 Brasilia Domestic Service in Portuguese 2200 GMT 26 Jul 89

[Text] Sergio Amaral, secretary of international affairs of the Finance Ministry, who returned from Washington today after meeting with IMF officials, said that an agreement is possible despite the fact that there has been no answer from the IMF in that regard.

Sergio Amaral said that Brazil submitted positive economic indicators, thereby creating a possibility for a short-range agreement to get money this year. He said that a long-range agreement is out of the question because of the presidential election.

He added that Brazil is making an effort to prevent an impasse in the negotiations.

[Begin recording] [Amaral] We are negotiating in order to prevent an impasse. We are negotiating to achieve our goal, that is to get the resources we need.

[Reporter] Are you optimistic?

[Amaral] I believe that the financial community and creditors have a good understanding of the efforts we are making. [end recording]

Amaral did not want to predict what the Brazilian Government will do next September if no agreement is reached with the IMF. Next September Brazil will have to disburse a great amount of resources to service the foreign debt. When the time comes, Brazil will have two options: use its reserves or suspend the payments. Sergio Amaral prefers to wait until September.

Finance Minister Mailson da Nobrega has been saying that the foremost objective is to protect the level of Brazilian foreign services.

Health Ministry Suspends Cuban Vaccine Import

PY2707142489 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 25 Jul 89 p 12

[Excerpt] Brasilia—Permission to import Cuban vaccine against meningococcic type-B meningitis has been suspended until the Health National Council (CNS)—an organization that advises the Health Ministry—presents a report on the issue. Susana D'Avila, director of the Medicine National Division (Dimed), yesterday announced this decision in Brasilia. The decision was made as a result of the controversy created by the Sao Paulo Government decision to sell the vaccine. The CNS will meet tomorrow to discuss the issue. [passage omitted]

Embraer U.S. Partner To Finance New Jet Plane

PY2607145889 Rio de Janeiro O GLOBO in Portuguese 25 Jul 89 p 26

[Text] Sao Jose dos Campos—The Brazilian Aeronautics Company (Embraer) is creating a company in the United States to act as its partner in financing new projects. If the enterprise is successful, the same solution will be used to finance all Embraer's future projects, and other similar companies may be created in other countries. Thus, Embraer will take advantage of these countries' fiscal facilities for investment in research and development projects.

To create the company—a research and development partnership company [five preceding words in English]—Embraer has hired U.S. lawyers who found fiscal facilities for this enterprise in the United States. This company will not have a direct participation in Embraer and will be comprised of investment banks and companies that manufacture plane parts who may be interested in financing 30 percent of the EMB-145 jet plane.

The company is being registered in Delaware, on the U.S. eastern coast, where investment in research can be deducted from income tax, even if the investment was made outside the country, as long as the resulting product is consumed by Americans. The company will invest $100 million (200 million new cruzados at the official exchange rate) in developing and manufacturing the EMB-145. This plane is an improved version of the Brasilia model. It will carry 45 passengers and will cost $11 million (22 million new cruzados).

Negotiations between Embraer and the new company will start in August, when the conditions for the investment of the risk capital, and how it will be paid back when the new planes start selling in 1991, will be discussed. During these negotiations, Embraer will submit to the investors a file with 200 purchase options signed by its most important buyers. This type of financing, which will be used in all of Embraer future projects, does not require Government or Congressional approval.

Chile

Political Leaders Invited To Observe Plebiscite

PY2607035689 Santiago Domestic Service in Spanish 2300 GMT 25 Jul 89

[Excerpt] Oscar Vargas, minister secretary general of Government, has reiterated that leaders of political parties will be allowed at the polling stations as observers of the plebiscite on 30 July.

During a brief meeting with the press, Vargas said that all measures have been taken to enable journalists to give a good coverage to the plebiscite.

[Begin Vargas recording] I would like to reiterate the invitation I made last week to leaders of political parties to go to the polling stations and to the press room that the Government General Secretariat has installed at the Diego Portales Building. [end recording] [passage omitted]

Teitelboim Supports Aylwin, Criticizes Plebiscite

PY2607125289 Santiago Domestic Service in Spanish 2300 GMT 25 Jul 89

[Text] Volodia Teitelboim, the top leader of the outlawed Chilean Communist Party (PCCh), has said that the PCCh does not plan to take part in a future government led by Patricio Aylwin. He added that the PCCh supports Aylwin only because he is the single opposition candidate.

On returning to the country from Europe, Teitelboim said that the PCCh will support Aylwin if he wins the elections to allow him to fully implement what he described as a democratization process, and to solve the people's problems.

Teitelboim criticized the 30 July plebiscite and described it as meaningless because it would introduce very few amendments to the Constitution. He said that the plebiscite ia a very small step.

He said that during his brief tour of Europe he talked about Chile and its prospects as viewed by the Communists. He added that the PCCh does not support violence but it supports democracy with the participation of the people.

Teitelboim minimized the incidents during the unsuccessful occupation in La Pintana, which was promoted by Communist leaders, adding that this type of action has been carried out in the country during the past 50 years.

Concerning Aylwin's statement that the occupation of La Pintana was aimed at boycotting his candidacy, Teitelboim said that Aylwin was not fully aware of the situation.

People booed Teitelboim upon his arrival at the Pudahuel airport.

Soviet Airplane Makes Stop Over in Punta Arenas
PY2607220889 Santiago Television Nacional de Chile Network in Spanish 1800 GMT 26 Jul 89

[Text] The crew members of a Soviet airplane that took an international expedition to the Antarctic returned to Punta Arenas. The crew members expressed appreciation for the support they received from the Chilean Air Force.

The Illyushin airplane, with 20 Soviet crew members on board, returned to Punta Arenas yesterday after taking an international expedition to King George Island. The expedition, which is led by U.S. scientist (Willy Fayer), is trying to get to the South Pole and then to the Soviet base of Mirnyy on the Indian Ocean.

The Soviet crew members expressed their appreciation to the Chilean Air Force for its support of their mission. They emphasized the good relations and cooperation among all bases in Antarctica. After a 4-hour stopover in Punta Arenas the Soviet crew left for Moscow.

New Terrorist Group Attacks Radio Station
PY2607211489 Santiago Radio Chilena Network in Spanish 1700 GMT 26 Jul 89

[Excerpts] A new terrorist group, calling itself Rebel Socialists [Socialistas Insurgentes], has claimed responsibility for an attack against CV 96 Radio Carrera this morning. During the attack, the terrorists threatened announcer Julio Bolsi and the radio technician at gunpoint. Bolsi, who had just finished his morning cast, The Italian Hour, said he did not notice that there were strange people in the studio. [passage omitted]

Bolsi said that the terrorist group broadcast a 4-minute recorded message. The message contained slogans against Pinochet and urged the people to cast blank votes in the 30 July plebiscite called to approve or reject 54 modifications to the Constitution. [passage omitted]

Before leaving the studio, the terrorists painted slogans on the walls reading: Constituent Assembly now and Rebel Socialists. [passage omitted]

Oscar Pizarro Romero, chairman of the Association of Chilean Broadcasters and owner of Radio Carrera, reported that the radio personnel freed themselves from the ropes with which they had been tied and informed the Carabineros of the attack. Carabineros personnel verified that the terrorists left a mock bomb behind.

Carabineros Escape Extremist Attack Unhurt
PY2607191189 Santiago Television Nacional de Chile Network in Spanish 1800 GMT 26 Jul 89

[Text] Three minors were injured in an extremist attack on a Carabineros patrol in Vina del Mar. A few minutes before 0800 this morning, subversives detonated a bomb in the Achupalla sector just as a police vehicle was passing by.

The Carabineros personnel escaped unhurt, but the shockwave hit a school bus, injuring three minors. They were taken to the Gustavo (Fricque) Hospital. The bus was partially damaged, and all the windows were broken.

Lautaro Movement Holds Up Talcahuano Drugstore
PY2607150989 Santiago Domestic Service in Spanish 1030 GMT 26 Jul 89

[Text] The police are conducting an intense dragnet in an effort to identify and arrest the members of a subversive gang who held up a drugstore in Talcahuano. The office of the 4th Carabineros Inspection Zone in Concepcion has reported that 6 women and 2 men have held up the Umbral drugstore at 8790, Colon avenue, in Talcahuano. The gang members brandished handguns and threatened drugstore owner Francisco Miguel Ortega Zamora, whose house is in Concepcion, at 2335, Las Heras Street. The terrorists overwhelmed two drugstore employees and seized 50,000 pesos and a large number of medicines, possibly for use at a clandestine clinic.

Before leaving the area on foot and in different directions, the terrorists threw leaflets which contained coarse expressions and the word MAPU [United Popular Action Movement].

An anonymous male caller later told a Concepcion radio station that the holdup was committed by a commando of the so-called Lautaro-MAPU Youth Movement.

The criminals left tire-puncturing devices and flammable liquids on the street to hinder a possible chase by a vehicle.

Bomb Explodes in Downtown Santiago, No Victims
PY2707034089 Madrid EFE in Spanish 0230 GMT 27 Jul 89

[Text] Santiago, 26 Jul (EFE)—The police reported tonight that a bomb went off under a car parked only five blocks from the Chilean presidential palace, La Moneda. The bomb caused slight damage and no casualties.

Police cordonned off the area after the explosion. Another car found abandoned only two blocks from the presidential palace—near the University of Chile central offices—contained documents that the authorities considered subversive.

The government news agency "Orbe" said that inside the second car the police found a flag of the extremist "Manuel Rodriguez Patriotic Front," which is considered by the military regime to be the armed branch of the Chilean Communist Party.

Paraguay

Police Release Danish Businessman 25 Jul
PY2607035889 Asuncion ULTIMA HORA in Spanish 25 Jul 89 p 51

[Excerpt] During a control operation carried out on 23 July at the Paraguayan Rural Association exhibit in Mariano Roque Alonso, the police arrested a Danish citizen who was carrying a gun.

Danish businessman Steen Rambo, 46 years old, was visiting the exhibit when he was arrested by the police for carrying a gun. Today the police issued a communique to explain the incident.

Unofficial sources have reported that the police have been holding security operations wherever the president will be present.

Since the ensuing police investigation established that the Danish citizen does not pose a threat to security, the police released him. The police also said that Steen Rambo's honor remains intact. [passage omitted]

Armed Forces Support Democratic Government
PY2607151689 Asuncion ABC COLOR in Spanish 26 Jul 89 p 4

[Text] Brigadier General Regis Anibal Romero, chief of the presidential household, on 25 July said that "we, the members of the Armed Forces, will be very happy the day President Andres Rodriguez hands the presidential sash to another president elected by the Paraguayan people in free elections." He added that "we have just realized that it is very nice to live in democracy."

Gen Romero thanked the journalists accredited to Government House for their greetings on his birthday. He said that "we have just realized that it is very nice to live in a democracy in which civilians and militarymen can work together, as we are doing now." He added that "6 months ago, this meeting would have been impossible."

Gen Romero noted that "President Rodriguez' only wish is the total unification of the Paraguayan people, so that he may be the president of all Paraguayans, without exclusions. He does not want to be the president of a gang of corrupt, dishonest people like those who, in the past, have resorted to daily flattery in order to find protection for their illegal activities."

He stressed that "we want President Rodriguez to be in the mind of the Paraguayan people for ever. We would not like him to be recalled only by chance, and we would not like him to be forgotten because of misconduct with the people either."

He added: "We, who are his assistants—although we do not claim to be close to him because we are his subordinates—are willing to help him successfully complete his term. All of us, civilians, militarymen, journalists, clergymen, and all social sectors, are engaged in the common task of consolidating this democratic process that began on 3 February."

Romero went on to say that times have changed and that soldiers, civilians, the opposition, and the pro-Government sector live in fraternal coexistence, "and everyone can see it. We have just realized that this is nice, that it is very nice." He added that "we want our children to grow up in this democratic environment, and the accomplishment of this objective relies heavily on us, the members of the Armed Forces, and on everyone else."

He said he was just another fellow worker and that "we want the people at large become aware of everything that is happening, of the real situation in our country."

In part of his speech, Gen Romero said: "We want to serve the people. We do not want to profit by them. Our only objective, our key objective is to work for the well-being of the people and, within our possibilities, to enforce social justice all over the country. This is the objective of the government, this is the target which has been chosen by General Rodriguez."

Romero stressed that "the final objective of all the work by the president for the Paraguayan people is for the well-being of the people, to hand over power on 15 May 1993, and, thereafter, to live here in Paraguay. "This is our objective."

He added that "this is our target, and if God and the Virgin help us, and if everyone of us does his share, we will attain this objective, because the Paraguayan people want a constitutional president handing over power to another constitutional president."

Gen Romero noted that "I believe that this will be the greatest victory of democracy in the new Paraguayan era."

"We, the members of the Armed Forces, will be very happy the day the presidential sash is passed on to a president who was elected by the Paraguayan people, in free elections, just like Argentina has recently done. It is nice to see joyful people cheering the candidate who was elected in free elections. We have never gone through that experience here in Paraguay. Today, however, the situation has changed."

"All of us want a new Paraguay, without fear or distrust. We all live in fraternal coexistence and this is the image of Paraguay today," Gen Romero said.

'Militants' of Previous Regime Summoned by Police
PY2607151189 Asuncion ABC COLOR in Spanish 26 Jul 89 p 2

[Text] Two more leaders of the Colorado Party militant faction were summoned yesterday to the Central Police Headquarters. The police chief yesterday summoned Antonio Colman Rodriguez and Enrique Reverchon, who are accused of being the ideologists of the militant faction reactivation.

The first to arrive was Colman Rodriguez. He arrived at 0800 for the meeting with the police chief.

Former Senator Enrique Reverchon arrived at 1000 at the police headquarters. "Last night I was summoned to a meeting with the police chief," he sated before entering the police headquarters.

When asked about the reasons for being called by the police chief, he stated: "I do not know, and for this reason I cannot make any statement. I only know that I have a meeting scheduled with General Francisco Sanchez [current police chief], and at the end we will talk," he concluded.

Colman Rodriguez, Reverchon, and Martin Chiola are considered to be the promoters of the reactivation of the militant faction. Chiola was released night before last after being held for more than 10 hours.

Some reports indicate that the police chief recommended these politicians not to reactivate the militant faction because the reappearance of this political faction is still inopportune.

Reverchon left the Central Police Headquarters after a brief meeting with Gen Sanchez.

In a note to ABC COLOR, Chiola admitted that he received recommendations from the police chief not to resume his political activities at lest for a year. He added that Sanchez considered untimely the reactivation of the militant faction.

"The recommendation is not to promote this movement yet because it is untimely and that the board of leaders must maintain prudence so as to cooperate with improving the organization of the party and of the Paraguayan society," Chiola stated, explaining the reasons for which he was held at the police headquarters.

Chiola stated: "We, who are held responsible, will respect the recommendations given by the authorities. I will withdraw from politics at least for a year."

Chiola categorically denied reports about reported aid received from people close to the previous regime to cover the campaign expenditures of the militant faction. "That is an unfounded and ill-disposed report by people who seek unspeakable objectives," Chiola stated.

He added that they have no intention of contacting the exiles from the previous government. "We believe that Stroessnerism is a system that definitely ended on 2 and 3 February," he concluded.

Ministry Recognizes New Labor Federation
PY2607221089 Asuncion ULTIMA HORA in Spanish 26 Jul 89 p 21

[Summary] The Justice and Labor Ministry has legally recognized the National Workers Federation [Central Nacional de Trabajadores], CNT.

CNT Secretary General Juan Manuel Peralta said the federation represents over 50 rural and urban organizations. It was founded in 1956 as the Paraguayan Union Movement. Throughout the years it changed names twice: first to Christian Workers Federation and then to National Workers Coordinating Board. Peralta added that the CNT has traditionally supported rural organizations better than urban ones.

Peru

Survey Published Reveals Fear of Civil War
PY2607162289 Madrid EFE in Spanish 0147 GMT 25 Jul 89

[Text] Lima, 25 Jul (EFE)—According to a survey published today, 56 percent of all Peruvians believe that their country is on the brink of a civil war and that subversive forces control some provinces in the country.

The survey, published by the magazine PERU ECONOMICO, which is published monthly by the "Grupo Apoyo SA," shows that 19 percent of the people believe that a civil war already exists in the country.

The impact of subversion on the Peruvian people is evident because if "Shining Path" terrorist guerrillas were to call for an "armed stoppage," 55 percent would close their business doors, 20 percent would work behind closed doors, and 18 percent would work normally.

Policemen, Terrorists Killed in Acobamba

PY2607221889 Madrid EFE in Spanish 1753 GMT 26 Jul 89

[Text] Lima, 26 Jul (EFE)—A spokesman of the Interior Ministry reported in Lima today that four policemen and three terrorists were killed in Acobamba, a remote settlement in the Peruvian central mountain range.

The terrorists arrived in Acobamba early yesterday morning. One group took advantage of the dark hours to dynamite public and private facilities. Another group killed the four policemen as they were leaving the police station to repel the terrorist attack.

In the clash the police killed three Shining Path subversives and seized arms and subversive propaganda.

During the attack the subversives gathered the people into the public park and forced them, with the threat of death, to sing Shining Path slogans related to the armed struggle.

Acobamba is located in the high region of the Huancavelica Department, 570 km southeast of Lima.

So far this month 20 policemen of the National Police have been killed. The death toll for that organization so far this year is 60.

The Interior Ministry spokesman reiterated that members of the Armed Forces and the police are being confined to barracks in a large part of the Peruvian territory to prevent eventual subversive attacks on the eve of the Peruvian independence day.

Shining Path began its armed struggle in 1980, and as a result of its actions 14,000 people have been killed. They have caused over $12 billion worth of property damages, according to official calculations.

Dead Terrorists Identified as Tupac Amaru

PY2607123689 Madrid EFE in Spanish 0208 GMT 26 Jul 89

[Text] Lima, 25 Jul (EFE)—The Peruvian Interior Ministry has confirmed that the five terrorists killed today in clashes with the police in Lima belong to the Tupac Amaru Revolutionary Movement (MRTA).

In an official communique, the Interior Ministry pointed out that the MRTA activists attacked a Banco de la Nacion branch office, another bank branch office, and an office of the Telephone Company in shopping center in the Pueblo Libre District of Lima. The MRTA activists threw explosives that caused damage but did not injure anyone.

The communique adds that, at the same time, another terrorist group shot at the Army quartermaster's barracks and a National Police precinct just three blocks from the site where the explosions occurred.

After repelling the attack, the policemen in the precinct pursued the MRTA activists, reinforcing the personnel who were confronting the terrorists in the shopping center, the communique says.

The official communique notes that, as a result of the clash, five terrorists, three men and two women, were killed, and that 10 dynamite sticks, some fuses, several small explosive devices, a revolver, and propaganda material were seized.

The communique states that no casualties were reported among the security forces.

Suriname

Armed Forces Chief Rejects Kourou Accords

FL2507141389 Bridgetown CANA in English 0354 GMT 25 Jul 89

[Text] Suriname Armed Forces Chief Desi Bouterse has rejected a government-rebel peace accord aimed at ending three years of hostilities in the tiny South American republic. His stance has been reported by Dutch newspapers.

Bouterse's action jeopardises the agreement reached in neighbouring French Guiana last Friday between rebel leader Ronny Brunswijk and Suriname ministers, and poses a challenge to the former Dutch colony's 18-month-old civilian government.

The newspaper reports said the National Democratic Party, which Bouterse leads, as well as heading the armed forces, had issued a statement in Suriname's capital, Paramaribo, decrying the accord as "a declaration of war against the Suriname people."

Bouterse Comments on Accord

FL2507194089 Paramaribo International Service in English 1730 GMT 25 Jul 89

[Text] The military authority has rejected the accord which was signed between the government's delegation and the delegation from the Brunswijk gang. According to Army Commander Bouterse, the accord is a serious political error of the government. He has characterized the accord, which was signed in Kourou, French Guiana, last Friday [21 July] as a violation of the constitution.

Bouterse spoke this morning during a meeting with cadres of the National Army at the Membre Boco

Barracks. The commander pointed out that the accord is, in effect, the honoring of the fight of the terrorist gang. He is of the opinion that the Suriname Government has done that to meet Holland's desires. Commander Bouterse seriously criticized this attitude of the government, which he termed high treachery.

Spokesman of the military authority, Commander Cital, has yesterday in a radio interview stated that the National Army will not withdraw itself from the area where there is a state of emergency. According to Cital, such a move is necessary as long as there are terrorists in those areas.